Austria .... Sch. 18	Indonesia .. Rp 2500	Portugal .... Esc 80
Bahrain .. Din 0.650	Italy .... L 1300	S. Arabia .. Rls 6.00
Belgium .... BFr 42	Japan Y550	Singapore .. S$ 4.10
Canada .... C$1.00	Jordan .... Fils 500	Spain .... Pts 110
Cyprus .... C£0.60	Kuwait .... Fils 500	Sri Lanka .... Rup 30
Denmark .. DKr 7.25	Lebanon .. £L 8.00	Sweden .. Skr 6.50
Egypt .... E£1.00	Luxembourg .. LFr 42	Switzerland SFr 2.20
Finland .. Fmk 6.00	Malaysia .. Rin 4.25	Taiwan .... NT $85
France .. FFr. 6.00	Mexico .. Pes 300	Tunisia .. Din 0.600
Germany .. DM 2.20	Morocco .. Dh 6.00	Turkey .... L 210
Greece ...... Dr 70	Netherlands .. Fl 2.50	U.A.E. .... Dh 6.50
Hong Kong .. HK$ 12	Norway .. Kr. 6.00	U.S.A. $1.00
India .... Rup 15	Philippines .. Pes. 20	

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Lira: why the Bank of Italy declined to intervene, Page 14

World news

Lebanese port hit by Israeli gunfire

Four Israeli war ships shelled the south Lebanese port of Sidon, setting a Honduran-registered freighter ablaze and pounding the positions of Moslem militia who tried to beat off their attack.

Eyewitnesses said the ships fired dozens of shells at the port for 45 minutes, causing an uncontrollable fire on the 998-tonne Lebanese-owned vessel Roule, wounding three of its seven-man crew and six others.

Meanwhile, Israel is scheduled to free 100 Lebanese detainees today as part of a phased release of prisoners taken in the war in Lebanon.

Ship blast charges

New Zealand police charged two people with bombing the Greenpeace protest ship Rainbow Warrior and murdering a man on board. Police would not identify the pair, but said they would appear in an Auckland court today. Page 3

U.S.-China accord

President Ronald Reagan verbally approved a nuclear co-operation agreement with China and it could be signed soon, said White House spokesman Larry Speakes.

Resignation demand

Austria's farmers' union called for the resignation of Agriculture Minister Günter Haiden over the scandal of Austrian wines found containing a toxic chemical used in vehicle anti-freeze. Page 2

Oil agreement near

Israel said it is close to an agreement to buy oil from a producer country that would end a long-standing boycott by Opec but declined to name the country.

Spaniards questioned

Zimbabwe police are questioning Pedro Martin Cubelles and Jesus Martinez Figarda over the killing of Spanish Ambassador José Luis Blanco Briones in Harare. Police said the two Spaniards dined with the ambassador on the night before the murder.

Korean talks planned

North and South Korean officials met for the first time in 40 years to arrange talks on reunifying the penisula, but failed to agree on an agenda. However, the two sides agreed in principle for future sessions between 11 lawmakers from each side.

Union leader killed

A Spanish communist trade union leader, Jose Gonzalez Alcaraz, and his wife were killed in a shotgun attack at their home near Murcia, Spain.

West Bank search

Israeli forces searched the Arab West Bank for Israeli school teachers Yosef Eliahu, 35, and Lea Almakais, 19, who are feared to have been killed by Palestinian guerrillas.

Haitian victory

The Haitian Government claims an overwhelming victory in Monday's referendum on constitutional changes that confirm M Jean Claude "Baby Doc" Duvalier as President-for-Life and allows him to choose a successor.

Afghanistan attacks

Western diplomats reported heavy Soviet bombing of rebels in Afghanistan's strategic Panjsher valley and guerrilla rocket attacks in the capital, Kabul which killed seven Soviet citizens. Page 3

Cheaper post

Britain's Post Office is to cut the price of a second class letter by 1p to 12p (17 cents) from November 1, the first such reduction since the introduction of the penny post in 1840. Background, Page 6

Business summary

Opec tries to agree cut in oil price

OPEC MINISTERS meeting in Geneva to try to set a new pricing structure last night discussed an interim compromise under which the price of heavy crude oil would be cut by 50 cents to help to restore the competitiveness of Saudi Arabian output. Venezuela said the cut was not enough. Page 14

WALL STREET: The Dow Jones industrial average closed down 5.83 at 1,351.81. Page 36

TOKYO shares eased further from recent high levels with a 8.83 dip in the Nikkei-Dow market average to 12,762.83. Page 36

LONDON equities were unsettled by currency movements although gilts advanced. The FT Ordinary share index closed 4.2 down at 921.1, a new low for the year. Page 36

DOLLAR weakened in London, closing at DM 2.8505 (DM 2.898), FFr 8.66 (FFr 8.7975), SwFr 2.34 (SwFr 2.3785) and Y237.9 (Y240.05). On Bank of England figures, the dollar's exchange rate index fell to 137.4 from 139.0. Page 29

STERLING gained 2.2 cents against the dollar in London to $1.411 and also rose to DM 4.03 (DM 4.025), FFr 12.21 (FFr 12.2075), SwFr 3.3025 (SwFr 3.3) and Y336.0 (Y333.5). The pound's exchange rate index rose 0.6 to 84.2. Page 29

GOLD: In New York the Comex August settlement was $318.30 rose $3.75 on the London bullion market to $322.0 and $4.15 in Zurich to $321.60. Page 28

EEC foreign ministers authorised their executive commission to continue negotiating steel export quotas to the U.S., which has threatened tough limits on EEC steel sales from August 1 if no agreement is reached.

THE INTERNATIONAL Monetary Fund has postponed a decision on a new credit package for Morocco because it is not satisfied with Morocco's efforts to correct economy imbalances.

U.S. consumer prices rose a modest 0.2 per cent in June, matching the May increase to leave America's annual inflation rate unchanged at 3.7 per cent.

COFFEE price slide continued in London, although proposals for a cut in export quotas drew a cool response. Robusta futures fell a further £104 to £1,487.50. Page 28

EEC countries' inflation rate was an average 6 per cent in June. Greece's was highest, at 17.2 per cent, and West Germany's lowest, at 2.3 per cent.

U.S. joined Japan and the EEC in calling for the Multi-Fibre Arrangement to be extended when it runs out in a year. Page 4

BORG-WARNER, U.S. automatic transmission group, reached a six-year pay agreement with British unions giving a large degree of flexibility in working practices. The deal has saved some 600 jobs at the U.S. group's plant in Wales. Page 14

IMPERIAL OIL, Exxon's 70 per cent-owned Canadian subsidiary, raised second-quarter net earnings to C$152m ($108m), or 94 cents a share, from C$126m last year. Revenues rose from C$2.21bn to C$2.28bn.

EXXON of the U.S., the world's biggest oil company, suffered a 45 per cent drop in second-quarter earnings to $745m after setting aside $545m for possible losses because a court ruled it had overcharged for oil. Page 17

WESTERN UNION, U.S. telecommunications group, returned a second-quarter net loss of $9.7m, down sharply from the $15.3m deficit in the first three months. Page 15

MONTEDISON, Italian chemicals group, is thought to be working on an agreement with BI-Invest, a holding company in which it attempted to buy a controlling stake but which also holds shares in Montedison. Page 17

JMB accountants Arthur Young to sue Lawson for libel

BY MARGARET HUGHES IN LONDON

MR NIGEL LAWSON, Britain's Chancellor of the Exchequer, is to be sued for alleged libel by Arthur Young, one of the UK's biggest accountancy firms and auditors to Johnson Matthey Bankers (JMB) before its collapse and rescue by the Bank of England last autumn.

This is thought to be the first time this century that a British minister has faced a libel action.

Arthur Young's announcement of its intentions yesterday coincided with the issue of a writ against it by JMB, now a fully owned subsidiary of the Bank of England, claiming damages and interest for alleged breach of contract and/or negligence in the firm's capacity as auditors and accountants of JMB for the financial years to March 1982, 1983 and 1984.

Arthur Young said last night it would issue a writ against the Chancellor today claiming damages in respect of statements he made in broadcasts on BBC radio and television and on Channel 4, a commercial television channel, on June 20.

This was the day he made his first statement to the House of Commons on JMB. A Treasury spokesman said last night that no comment would be made until the writ had been served.

Arthur Young said that it had no complaints against Mr Lawson's statement to the Commons – where in any case British MPs' remarks have immunity from defamation proceedings – on June 20 when he said: "The circumstances described in the Bank of England's report on the JMB crisis must inevitably raise questions about the role of auditors Arthur Young." But it is claiming that his statement on radio and television went "much further" and sought to "prejudge" responsibility against the firm.

Since the full facts were not available at that time and had not been considered, Mr Lawson's statements "seriously compromised" Arthur Young's position in any relevant proceedings, Arthur Young said. The matter had been raised with the Chancellor by letter but no response had been received, they said.

The Bank of England said yesterday that its writ was part of the legal process which Mr Lawson told the Commons on June 20 that JMB would be initiating against Arthur Young. It added that the level of damages would be quantified at a later stage.

Arthur Young said that, since no statement of claim had been delivered, there was no indication of the facts or matters on which JMB is basing its allegations. The issue of the writ thus took the matter no further than JMB's earlier declaration of its intention to claim against the firm. Arthur Young said it would be "vigorously defending" the proceedings and was "confident" that it would be established that the audit was carried out to "appropriately high professional standards."

This latest twist in the JMB affair follows last week's announcement in the Commons by Mr Lawson that the City of London police were to investigate whether criminal offences were involved in the collapse of JMB.

At the time of its rescue by the Bank of England last September, losses at JMB, then a subsidiary of the Johnson Matthey chemicals and refining group, totalled £248m ($348m), more than half its book value of £400m. As part of the rescue the Bank of England has injected £100m of capital and put up half the £68m provided by UK banks to cover its losses.

Rachel Davies writes: It is not unknown for British ministers to be sued for exceeding their powers, but cases in which they are sued for libel have so far been extremely

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UK rules out sanctions against South Africa

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN LONDON

SIR GEOFFREY Howe, Britain's Foreign Secretary, yesterday firmly opposed the adoption of economic sanctions of any kind against South Africa as a way of putting pressure on the Pretoria Government to end its apartheid policies.

In a speech to the Royal Commonwealth Society in London, in which he roundly condemned apartheid as "unacceptable, unworkable and indefensible," Sir Geoffrey nevertheless ruled out economic sanctions because they would be ineffective and counterproductive.

The Foreign Secretary's unequivocal stand, coming after Sunday's statement by Mr Malcolm Rifkind, Minister of State at the Foreign and Commonwealth Office, that Britain did not intend to withdraw its ambassador from Pretoria, is likely to be sharply criticised by the opposition Labour Party.

Sir Geoffrey argued that sanctions against Rhodesia had merely served to strengthen parts of the white business sector at the expense of blacks. "The South African economy is much stronger and more diversified than was Rhodesia's. It would undoubtedly adapt to sanctions."

Pretoria issued the names of 441 people arrested without charge in the first three days of the state of emergency and said a further 60 people had been charged with criminal offences. Page 16. The Netherlands is pressing for the EEC code of conduct on labour relations for European companies operating in South Africa to be made compulsory. Page 2

Moreover, the effects of economic measures would be felt most keenly by black South Africans. They would also affect the economies of South Africa's neighbours, even if the latter did not formally participate in a sanctions policy.

Britain opposed sanctions because "we believe that economic growth in South Africa offers the most likely route for peaceful political change," Sir Geoffrey said. Ways should be found of strengthening those internal economic forces, particularly the growing economic power of the black community and its trade unions. The application of sanctions would mean an end to all these activities.

However, the British Government's rejection of economic sanctions should not leave South Africa in any doubt about Britain's "abhorrence of apartheid and all the repressive measures used to enforce it."

It was not for Britain to propose cut-and-dried solutions, but South African society must evolve in a way which would command the support of the South African people as a whole, the Foreign Secretary said. The most urgent priority was to create a climate of confidence which would permit a real dialogue with the genuine leaders of the

Continued on Page 14

EEC fails to agree on tariff levels for Japanese VCRs

BY QUENTIN PEEL IN BRUSSELS

EEC TRADE ministers yesterday failed to agree on a move to sharply increase tariffs on video cassette recorders (VCRs), imported mainly from Japan, and simultaneously reduce tariffs on microchips.

The proposal put forward by the European Commission, to take effect from the end of the year when the current voluntary restraint agreement between Japan and the EEC on VCRs runs out, fell between the protectionist and liberalising lobbies within the Community.

It was opposed by West Germany because it would involve increased tariffs, and equally opposed by Italy and Ireland because of the planned cut in semiconductor (microchip) tariffs. A new attempt to reach agreement will now be made by industry ministers tomorrow.

The Commission proposal was to raise the present 8 per cent tariff on VCRs to 14 per cent – at an estimated cost to consumers of some $500m a year. In return, the Commission suggested reducing tariffs on electronic calculators, magnetic tapes and films, alarm clocks and semiconductors. The 17 per cent tariff on semiconductors would have been cut to 12 per cent.

The move to change the present voluntary restraint agreement for increased tariffs, strongly criticised by Japan, is most enthusiastically supported by France. The present deal restricts the number of Japanese VCRs imported this year to 2.25m completed machines and 1.7m chassis kits.

The Commission plan was sent to yesterday's meeting of foreign and trade ministers from their national officials, who had registered total disagreement. France, Britain and the Netherlands were prepared to accept it without enthusiasm, but West Germany, Italy and Ireland were opposed.

Both Italy and Ireland have microchip manufacturers they wish to protect, while Britain has been a long-standing proponent of reduced tariffs on an important input to the UK electronics industry. West Germany opposed on trade liberalisation grounds.

Prospects of early agreement seemed remote yesterday, with several member states arguing that a more comprehensive package, including a wider range of key Japanese imports, was required.

The industry ministers will, however, be able to decide the question by qualified majority, rather than a unanimous vote. A German attempt to insist on unanimity was overruled by legal advice from the Council of Ministers, which concluded that it fell under Article 113 of the Rome Treaty which allows for majority voting.

EEC plans retaliation, Page 4

American Express in new bid to salvage insurer

By Paul Taylor in New York

AMERICAN EXPRESS, the big U.S. financial services group, yesterday announced a further $187m addition to loss reserves at its troubled Fireman's Fund insurance business and brought in an outsider to head the group's insurance holding company.

Fireman's Fund, in common with other U.S. insurers, has been hit by heavy losses on its property/casualty business. Including the new reserves – for losses in 1983 and earlier – property casualty operations suffered a $85m loss in the second quarter of 1985, largely offsetting gains in American Express' other businesses.

The new chief at Fireman's Fund will be Mr John J. Byrne, chairman and chief executive of Geico, a major U.S. motor insurance group. He will replace Mr Sandy Weill as chairman and chief executive of the Fireman's Fund insurance holding company.

American Express and Geico also revealed that they are discussing possible links between their insurance operations.

The planned Fireman's Fund management change follows the surprise announcement last month that Mr Weill was resigning as American Express president and head of the Fireman's Fund subsidiary. Mr William McCormick, who moved to Fireman's Fund with Mr Weill when its problems first surfaced in late 1983, will remain chairman and chief executive of Fireman's Fund Insurance, a subsidiary of the insurance holding group.

Geico, based in Washington, has managed to post sustained underwriting profits and growth over the past several years following an earlier earnings slump but has recently hit renewed problems caused in part by an increase in claims frequency.

The two companies said they were discussing "specific business arrangements" involving a potential reinsurance quota share agreement and the possible sale of Geico's insurance products through American Express distribution channels.

Last month, American Express announced a planned restructuring of Fireman's Fund under which the group would retain the insurance unit's profitable life insurance operations

American Express's continuing problems with its property casualty insurance operations, which remain a serious drag on the group's financial performance, were underlined by its second quarter and first half results announced yesterday.

Paris to slash capital aid to state industry

BY PAUL BETTS IN PARIS

THE FRENCH Government is reducing sharply its financial support to state industries next year as part of its general efforts to hold down public spending in the 1986 budget.

Capital grants to state companies will decline to FFr 8.2bn ($943m) next year from FFr 13.5bn this year. Profitable groups in the state sector will be asked to pay dividends to the state.

Senior monetary officals said yesterday that the Government felt that nationalised companies which had returned to profit could now raise funds on private capital markets through a number of new financial instruments such as non-voting preference shares or non-voting loan stock.

The Government also felt that it was now entitled to receive dividends from these companies after supporting them during the past years in their restructuring efforts.

There will be two major exceptions to the more rigorous industrial capital grants policy. The Government has decided to continue giving substantial support to Renault, the financially troubled state car group, and the steel industry.

M Laurent Fabius, the Prime Minister, and M Pierre Bérégovoy, the Economy and Finance Minister, have now finalised the public spending plans in the 1986 budget due to be announced in the next few days. The fiscal or revenue side of the budget is scheduled to be completed by the end of the summer.

The Government has already said, however, it would reduce income tax by a further 3 per cent next year, causing a FFr 6bn revenue shortfall for the Treasury.

M Beregovoy is also planning to introduce fiscal incentives to encourage French industrial investment. This is expected to involve tax deductions for enterprises which reinvest their profits for investments. The Government is particularly worried that the current tentative recovery in industrial investment could be stifled later in the year as industrialists postpone spending plans because of the March 1986 parliamentary election.

The spending plans for 1986 are designed to hold down the increase in public spending next year to 3.9 per cent above the FFr 995bn total in this year's budget.

The figure, however, includes a 17.6 per cent increase in French national debt interest payments which are estimated to total nearly FFr 100bn next year. Excluding the impact of the public debt interest payments, public spending next year is due to rise by 2.8 per cent. This would represent a real cut in spending because inflation is estimated at 3.7 per cent for 1986.

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Toyota to build cars in North America

BY CARLA RAPOPORT IN TOKYO

TOYOTA, Japan's leading car maker, said yesterday that it would build car plants in the U.S. and Canada in a move that could cost up to £450m ($635m).

The company said that it expected to produce 200,000 cars a year in the U.S. and 50,000 cars a year in Canada by 1988. The sites for the plants have not yet been selected.

Toyota also intends to increase the output of its California joint venture with General Motors (GM) by 50,000 units by next autumn.

The company declined to put a figure on the investment, but industry analysts inTokyo estimated that it will spend at least Y150bn ($625m) on the new production facilities.

Honda and Nissan are already producing cars in the U.S. and Mazda and Mitsubishi Motors are to begin U.S. manufacture.

Toyota, refused to elaborate on its decision yesterday. It is understood, however, that the company is anxious to maintain its market share in the U.S. despite recent curbs on Japanese car exports. Further, local U.S. production is seen as a step toward defusing the increasing trade friction between the U.S. and Japan.

Production at the GM-Toyota joint venture in Fremont, California, began last year. Toyota is expected to buy out GM's share in the plant when the agreement expires in 1993. As a result, Toyota should have total sales of more than 1m cars in the U.S. by the early 1990s.

Toyota said yesterday that the extra production at the Fremont plant would be a variation of the Corolla.

Toyota last year exported 552,000 cars to the U.S. and this year has agreed to restrict exports to 617,000.

CONTENTS

BITTER ATTACK ON MERCHANTS AND FARM MINISTER

Austria's winegrowers fight back

BY RUPERT CORNWELL IN BONN

THE SLICK of the great anti-freeze wine scandal spread steadily wider here, as Austrian wine growers yesterday launched a counter-offensive by bitterly attacking wine merchants in their own country, and demanding the resignation of Herr Guenter Haiden, the Agriculture Minister.

The harsh words came at a news conference here called by the general Austrian farmers federation (AOBV), in an attempt to limit the severe damage inflicted upon the country's wine industry by the scandal, above all in the key West German market which takes 75 per cent of all Austrian wine exports.

Almost simultaneously however, the Bonn Health Ministry published a second list of brands of Austrian wines containing quantities of diethylene glycol, the artificial sweetner better known as a car anti-freeze.

In Hanover, meanwhile, the Lower Saxony health authorities reported a new discovery of limited amounts of wine from the Burgenland region of south-eastern Austria, with up to 16 grammes per litre of diethylene glycol. This compares with the level of 14 grammes per litre recognised officially as potentially lethal.

These latest developments bring to 250 the number of brands of sweet Austrian wine in which the contaminant has been found.

So far there have been no reports of consumers falling ill through drinking the wine. But the embarrassment of the Bonn authorities over their allegedly tardy awakening to the potential threat was compounded by a new twist to the saga yesterday—the discovery for the first time of German white wine in which diethylene glycol was present.

Only two varieties have been identified. Both are from the Rhine-Hessen producing district, and both contained only 0.2 grammes per litre of the pollutant.

Although it is not clear just how the German wines came to be doctored, the news alone could cause difficulties for the national wine industry here, which has so far successfully distanced itself from the problems of its Austrian counterpart.

The Austrian producers called here for severe punishment for those at home found responsible for the affair. It was not the wine growers, but wine merchants "and the people behind them," who had brought the scandal about, they declared.

According to their spokesman, evidence of doctored Burgenland wine had first surfaced in 1982, but this had not been followed up. On occasion growers who had protested "had been threatened."

A "wine mafia," complete with political protection, had brought an "honest product, honestly manufactured," into disrepute, and had "criminally damaged" the interests of producers and consumers alike, the federation claimed. The Minister should step down, they said, after his failure to stop the scandal.

Agencies add: A big hunt has been launched in the north of England to track down bottles of doctored Austrian wine as two more were discovered yesterday by consumer protection officers with South Yorkshire Council. One was found last week.

● "Solidarity in the struggle against the wine mafia—wine lovers and vintners fight back" proclaims the poster (right) at a news conference called yesterday in Bonn by the Austrian farmers' federation

Amnesty accuses Turkey of torture

By Robert Mauthner, Diplomatic Correspondent, in London

THE human rights group Amnesty International said yesterday that torture is "widespread and systematic" in Turkey and anyone detained for political reasons ran a great risk of being tortured.

The allegations are made in a 76-page report entitled "Turkey: Testimony on Torture", which claims its conclusions are based on thousands of reports of how prisoners have been treated under all administrations in Turkey from the early 1970s until May 1985. Several detailed accounts by victims of alleged torture are included in the report.

Amnesty claims the number of torture allegations, including beatings and electric shocks, and deaths as a result of torture, increased dramatically immediately after the military coup in September 1980.

In subsequent years, the number of allegations gradually became fewer, but only relatively. Continuing reports of torture during recent months indicate that the pattern has shown no significant change in the first part of 1985, although the length of incommunicado detention in the 23 provinces still under martial law was reduced from 45 to 30 days in May this year.

The report, which emphasised that most of its information related to political prisoners, said the majority of torture cases were reported to have been inflicted by police for the purpose of extracting information.

Amnesty International called on the "highest Turkish authorities" to issue clear instructions to all officials involved in the custody, interrogation and treatment of prisoners that torture would not be tolerated under any circumstances. It also urged the Turkish Government to set up an impartial body to investigate all complaints of torture and to make public its findings.

Experts discuss aircraft terrorism

By Rupert Cornwell in Bonn

EXPERTS from the "big seven" Western industrial nations meet in Bonn today to discuss protection against air terrorism – but with little indication that they will agree on the general ban on Beirut airport sought by Washington.

The talks, embracing senior officials from the U.S., Canada, West Germany, France, the UK, Italy and Japan, are regular, biannual affairs. But they have taken on a special urgency after the TWA hijacking to Beirut, and the suspected midair explosion that destroyed the Air-India jet off Ireland last month.

Options likely to feature in the discussions are tighter controls at airports, closer baggage scrutiny and the possible introduction of armed in-flight "sky marshals" to block hijack attempts.

Herr Hans Engelhard, the West German Justice Minister, this week called for internationally co-ordinated boycotts of airports in countries such as Lebanon, which give shelter to terrorists and hijackers, or of those where security is patently inadequate.

West German fast-breeder nuclear project faces more hurdles, writes **John Davies**

Controversy dogs Kalkar's slow step towards start-up

WEST GERMANY'S fast breeder nuclear reactor, one of the country's most expensive construction projects, is becoming increasingly caught up in political controversy as its start-up date approaches.

The project at Kalkar near the Dutch border has been under way for nearly 12 years and its cost has risen to about DM 6.5bn (£1.6bn) from DM 1.5bn.

Now that crucial steps leading to a start-up are to be taken within a matter of months, the Social Democratic (SPD) Government in the local state of North Rhine-Westphalia is voicing further doubts about allowing it to go ahead.

Herr Johannes Rau, the state Premier, is concerned about safety precautions and has queried whether Kalkar makes commercial sense as a source of electricity. He has indicated that the next stages towards a start-up, such as permission to allow the breeder to be stocked with plutonium fuel, cannot be taken for granted.

Other state Ministers have sown seeds of doubt, sensing that the issue could become a serious embarrassment to Chancellor Helmut Kohl.

Nuclear experts believe that Kalkar will go ahead even if the state Government digs in its heels, because the federal Government has certain rights to override such decisions on nuclear matters.

The nuclear industry, however, fears that the state might act in such a way as to delay the project. It might, for instance, seek to allow as much scope as possible for anti-nuclear objectors to take court action challenging Kalkar. It is even possible that a federal-state collision might spark off a case before the Constitutional Court about their respective powers.

The Kalkar project, a raw-looking concrete complex which has been the scene of protest demonstrations, was conceived as a cheap, self-sustaining source of energy, automatically refurbishing its own fuel supply. With a 300 megawatt capacity, it was viewed as a prototype for further developments.

As costs continued to escalate West Germany's electricity utilities agreed to bear a heavier share of the burden under a "life-saving" extra-financing package put together by Dr Heinz Riesenhuber, the federal Research Minister, in April 1983.

The federal Government committed itself to provide DM 3.7bn and Belgium and the Netherlands DM 470m each. Most of the remaining 28 per cent is being covered by the electricity utilities.

Some critics of Kalkar stress that there is still no definite arrangement to deal with the spent fuel from the fast breeder reactor. But nuclear experts claim that the electricity utilities involved want to leave options open rather than bind themselves to the reprocessing of spent breeder fuel in France.

The still-incomplete, Kalkar reactor, already one of the country's most expensive construction project, looks set to become a political football between Bonn and the State Government of North Rhine-Westphalia.

The West Germans have their eye on British proposals to build a new plant at Dounreay in Scotland by the mid-1990s to reprocess spent fuel from breeder reactors. "It is possible that the British will come into the market and try to undersell the French," one nuclear expert said.

Anti-nuclear campaigners have had some successes in West Germany, but they have failed to prevent the growth of a large network of nuclear power stations, which generated 27.6 per cent of the electricity in the public grid last year.

Nuclear opponents and key SPD politicians now focus attacks on what they see as the "weak links" in the nuclear programme. Apart from the fast breeder, these include the costly DM 4bn high-temperature reactor being built at Schmehausen, and projects for dealing with nuclear waste and spent nuclear fuel.

Court actions earlier this year gave rise to uncertainty about plans for dealing with the growing amount of spent fuel from the country's light-water nuclear reactors.

One court halted deliveries of spent nuclear fuel to the recently-completed intermediate storage depot at Gorleben in Lower Saxony. The depot had just taken delivery of various types of nuclear waste and was about to accept its first deliveries of spent fuel.

Another court then halted work on construction of a similar intermediate storage depot at Ahaus in North Rhine—Westphalia.

The cases are "frozen" until the Constitutional Court rules later this year on a complicated point concerning the legal basis for approving construction of nuclear storage facilities.

Gorleben and Ahaus are supposed to store spent nuclear fuel (as well as radioactive waste, such as contaminated gloves) until it can be reprocessed or stored permanently after having cooled off for some years.

So far West Germany has sent much of its spent fuel to France for storage and reprocessing. But West Germany recently decided to build its own nuclear reprocessing plant at Wackersdorf in Bavaria at a cost of DM 5.2bn.

Nuclear experts say that the Gorleben and Ahaus court orders have caused no problem so far, as nuclear power stations can keep spent fuel in their own storage racks or send it to France. Even if the depots remain halted, a storage pond could be ready at Wackersdorf to take spent fuel from about 1987, even though the reprocessing plant is unlikely to be in operation before the early to mid-1990s.

However, to add to the uncertainty, SPD politicians in Bavaria have warned that the Wackersdorf reprocessing plant might not be allowed to go ahead if the SPD wins the next federal election in early 1987.

Spanish state pension reform approved

By David White in Madrid

THE SPANISH Government's hotly-contested reform of the state pension scheme was approved with only minor amendments by Congress in its final reading yesterday against continued opposition from both Socialist and Communist union leaders.

Perseverance with the reform, which has produced considerable unease within the ruling Socialist Party, has been regarded by business as a test of the Government's determination to press ahead with tough economic policies after the departure of Sr Miguel Boyer as Finance Minister earlier this month.

The bill, first presented to Congress in May, provoked separate protest campaigns by the Socialist UGT union federation, whose leader, Sr Nicolas Redondo, is a Socialist Deputy in Congress, and by the Communist-led workers' commissions, which staged an attempted national strike against the project in June.

The final version of the bill, which sets new rules for future pensioners and is seen by unions as destroying acquired rights, includes five amendments introduced in the Senate by the majority Socialist group in a bid to bridge the gap with the UGT.

Sr Redondo said he still opposed the reform although, along with the right-wing opposition, he abstained in the vote on the amendments. The bill was passed in an extraordinary session called in order to get this and other pending legislation out of the way before the summer break.

The Government argues that the new system, due to take effect from August, is an improvement on the old one in that it reduces the possibilities for fraud and abuse and includes inflation proofing.

The reform, being pushed through before the other parts of a promised general overhaul of the social security system, is aimed at slowing soaring pension costs. It involves an effective reduction in the amount new pensioners will initially be entitled to and a progressive extension of the qualifying contribution period.

Spain currently has 5m people receiving state pensions averaging Pta 28,000 ($170) a month.

Aer Lingus announces record profits

By Michael Donne, Aerospace Correspondent

RECORD pre-tax profits of I£14.3m (£11.2m) for the year to March 31 were announced yesterday by Aer Lingus, the Irish State-owned airline. This compared with pre-tax profits of I£8.5m in the previous year.

Dr Michael J. Dargan, chairman, said in Dublin that it was a creditable performance to move from break-even two years ago to the point of achieving an 11.5 per cent return on capital employed. However, the profit was "short of the level required to tackle fleet replacement needs

"A further doubling of our net profit is our next objective." he said. The net profit in 1984-85 amounted to I£11.6m.

Mr David Kennedy, chief executive of Aer Lingus, said the airline's results showed a growth of 8 per cent in passenger traffic originating outside Ireland.

Total passengers carried amounted to 2.2m, a slight fall on the previous year.

Dutch airline orders 10 Boeing twin-jets

BY LAURA RAUN IN AMSTERDAM

KLM ROYAL Dutch Airlines has ordered 10 Boeing 737-300 aircraft at a cost of Fl 1.1bn ($338m) as partial replacements for its ageing DC-9 fleet.

The 124-seat Boeing twin-jets will be delivered between September 1986 and March 1987 and will be used on more heavily travelled European routes. KLM recently ordered 10 Fokker 100 aircraft with 100 seats at a cost of Fl 700m for use on less travelled European destinations.

The aircraft orders are part of an ambitious Fl 5bn investment programme over the coming five years that includes replacement of KLM's entire fleet of 19 DC-9s. There was speculation in the Dutch press yesterday that KLM would use the new Boeing 737-300s only temporarily, until around 1994, after which more modern craft such as the Airbus A-320 would be purchased. The 737-300 is an updated version of the older Boeing 737.

KLM said yesterday that it expects a "reasonable" profit on 5 per cent higher air traffic revenue this year, primarily stemming from Far Eastern, North and Central American routes. The airline also said it planned to increase its European destination and flying frequency.

The new Boeing and Fokker aircraft promise better fuel economy than the outdated DC-9s and will meet more stringent noise abatement requirements.

New Caledonia move 'inevitable'

PARIS – M Edgar Pisani, Minister for New Caledonia, said yesterday he believed that independence for the French territory, torn by political strife, was "inevitable."

M Pisani was named High Commissioner to the Pacific territory last December by France's Socialist Government and sent there at the height of political unrest between pro- and anti-independence forces. He has since been appointed minister and is based in Paris.

He addressed the French Senate, a bastion of the opposition, on Tuesday during debate on a Bill, adopted on June 4 by the Socialist-controlled National Assembly, on the future of New Caledonia. AP

Netherlands tables EEC foreign policy plan

BY QUENTIN PEEL IN BRUSSELS

PROPOSALS FOR increased political co-operation in the EEC, with the explicit aim of founding a common foreign policy, have been submitted by the Netherlands

The plans will form part of the preparation by top-level national officials for the intergovernmental conference agreed on by Community foreign ministers on Monday, to open in Luxembourg in September.

They will be considered alongside British and Franco-German drafts for greater co-ordination of foreign policies, in order to draw up a Community treaty on political co-operation as part of the declared move towards greater European union.

The Dutch proposals go further than the other plans in stating that a common foreign policy, and not simply co-ordination, should be the aim. However, they also seek to meet the objections of Ireland, Greece and Denmark to including any discussion of defence matters in Community affairs.

The proposals were described yesterday by Mr Willem van Eekelen, the Dutch state secretary for foreign affairs, as more ambitious than the British draft in seeking a common foreign policy. They were also more pragmatic than the Franco-German "draft treaty of European union," in proposing a strictly limited permanent secretariat in Brussels, and not seeking to build a new institutional structure.

Mr Van Eekelen said that the Dutch Government did not like the Franco-German idea of placing an umbrella of European union over the two areas of political co-operation and the developments of the Economic Community, because it downgraded the importance of the Treaty of Rome.

On defence, the Dutch plan would specifically exclude military matters from EEC political co-operation, and leave them to be discussed in the seven-nation Western European Union (WEU), which excludes Ireland, Denmark and Greece.

Questions of arms procurement should also be left to other bodies, Mr van Eekelen said, although the "political and economic" aspects of security would be included.

The proposals back the British desire of requiring member states to consult each other in advance of foreign policy initiatives and barring them from voting against each other (although not from abstaining) in international institutions like the UN.

Proposals for changes in the Treaty of Rome—the other main task of the Luxembourg conference—are expected to be submitted by individual member states, and by groups like the Benelux countries, before it opens on September 9.

Companies urged to follow S. Africa codes

BY MICHAEL HOLMAN IN LONDON AND QUENTIN PEEL IN BRUSSELS

HE LOBBY in favour of sanctions against South Africa is gathering strength, particularly in the United States and several European countries. In the face of such spressure, both the U.S. and British governments have been extolling the merits of codes of conduct for foreign companies in the Republic which will improve conditions of black employees and reinforce the case for continuing trade and investment.

In his speech to the Commonwealth Society yesterday, Sir Geoffrey Howe, the UK Foreign Secretary, urged British companies not only to abide by the European Community's code of conduct drawn up in 1977, but to take up what he called the "considerable scope for further initiative . . . community works, social welfare of their employees, equal opportunities."

Sir Geoffrey stopped short, however, of suggesting ways in which the code itself might be strengthened, a proposal which is now under consideration by Community members.

The code, which is not mandatory, covers a wide range of business practices, and calls on companies to:

- Recognise black trade unions and accept collective bargaining, and ensure that black employees are free to form or join a trade union.
- Set minimum wages which "should exceed by at least 50 per cent the minimum level required to satisfy the basic needs of an employee and his family."
- Apply the principle of equal pay for equal work and open jobs to all races.
- Set aside company funds for housing, transport, leisure and health services and pension schemes.
- Desegregate work places.

Companies are requested under the code to submit annual reports on their performance, although only a minority of the 1,200 or more UK concerns involving direct investment of more than £5bn and indirect investment of over £6bn actually respond.

The comparable code for U.S. companies operating in the Republic is named after the Rev Leon Sullivan, a black civil rights activist, who has sought to extend the impact of the principles beyond the workplace.

The Sullivan Code, subscribed to by a fifth of the U.S. companies in South Africa, was strengthened last December when it called on American companies to campaign for the right of black businessmen to set up in urban areas and for complete freedom of mobility for block workers — a demand which cuts across South Africa's apartheid principles.

There is growing pressure within the EEC, however, for a tougher set of European principles. The first step would be to make them compulsory, with sanctions imposed on investors failing to report details of their operations, Mr Willem van Eekelen, the Dutch State Secretary for Foreign affairs, said in Brussels yesterday.

Changes in the code, to adapt and strengthen it for current labour conditions in South Africa, are being negotiated in the political committee of the 10 EEC member states, made up of their respective political directors.

The review was announced on Monday by the EEC foreign ministers as part of a strongly worded reaction to the state of emergency and continuing violence in South Africa. Mr van Eekelen said that the statement, and its emphasis on the need to reinforce the code, had been sought in particular by his government, which faces strong domestic political pressure to take a tougher stance

The ministers' statement called for an end to the state of emergency and the release of all prisoners held under it. It also urged negotiations between the South African Government and black leaders "with the declared aim of giving proper representation to the black community at a national level."

Pharmacists' boat comes in – almost

BY IVO DAWNAY

AFTER 16 years of painstaking negotiation it seems the boat is finally coming in for Europe's pharmacists. Well, almost, but there may be a slight delay.

Yesterday EEC Foreign Ministers accepted a text that should the profession freedom to practice anywhere in the Community.

The hold-up has mainly been attributed to Greece, which has long argued that that its relatively free profession – entered on production of a university degree – could be swamped by sun-seeking incomers while its own practitioners would be shown the door abroad.

A cure for the Greek complaint, accepted yesterday, will mean those dispensing cold cures in the north of the Community muar temporarily postpone their plans to sell suntan cream in the Aegean islands.

Greece has accepted that the boat will come in, but not for 12 years. First there must be a 10-year derogation for Athens to allow all concerned to consider the situation a little more philosophically.

Then the European Commission will be required to come up with a new compromise sufficient to satisfy Greek fears for implementation with two years.

In theory at least, access to the Greek profession will become a rality before the millennium is up.

It was reported from the Counsil chamber that internatl market Commission Lord Cockfield's tongue was not far from his creak when he congratulated Mr Theodoros Pangalos, the Greek Minister, on bringing the boat home.

Mr Pangalos, a philosopher clearly skilled at cultivating his own gardon, replied courteously that it was only the avigational skills of two great seafaring nations that had pulled off the deal.

For the rest of the Community's pharmacists, it is all systems go – but with the small reservations that mutual recognition must be completed within the framework of national health polities and with a limit on the number of new pharmacies to be opened.

Just one last problem. As yet, the accord is only agreed "in principle." Spain and Portugal must also give it the go ahead when they join the EEC in January.

And there are rumours of a couple of problems . . .

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Gandhi holds talks with Sikh leader

BY K. K. SHARMA IN NEW DELHI

A PACKAGE formula to resolve the long-drawn-out Punjab issue is thought to have been discussed when the Sikh leader of the moderate faction of the Akali Dal, the Sikh political party, met Mr Rajiv Gandhi, India's Prime Minister, yesterday.

The meeting between Mr Gandhi and Mr Harchand Singh Longowal, the Akali President, broke an impasse that has lasted more than three years.

No talks between the Indian Government and Sikh leaders have been held since then and relations have deteriorated, particularly after the army action on the Sikh extremists in the Golden Temple in Amritsar in June 1984, and the assassination of Mrs Indira Gandhi in October last year.

The meeting, which was followed by another round of talks with senior Indian ministers and Sikh leaders, was held at the initiative of Mr Gandhi, who has given the highest priority to solving the Punjab problem.

A solution to the Punjab problem, which arises out of Sikh demands for political and religious autonomy for their religious community, is not in sight yet, observers believe. But they consider it a major breakthrough that the negotiations have started after prolonged uncertainty.

The way was cleared for talks by a series of gestures and concessions made by Mr Gandhi in the past few months, including the release of hundreds of Sikh detainees and the relaxation of restrictions imposed on Punjab after the army action.

Despite these concessions, the talks have taken considerable time to get started. This was mainly because hardliners in the Akali Dal put pressure on the party's moderate leaders to resist negotiations.

Eventually, the Akali Dal split and the talks are now being held with moderate leaders who are thought to have majority support among the Sikhs in Punjab.

Among the issues discussed were: the future of Chandigarh, the common capital of Punjab and Haryana; sharing of river waters; the scrapping of special courts established in Punjab to try terrorists; and an amnesty for Sikh deserters from the army.

Government sources said that there were prolonged behind-the-scene contacts with the Sikh leaders before the talks which could last several weeks and even months before a final settlement is hammered out.

Soviet staff killed in Kabul embassy attack

By Mohammed Aftab in Islamabad

Seven Russians have been killed in a guerrilla attack on the Soviet embassy in the Afghan capital of Kabul, Western diplomats said here yesterday.

The embassy has been the target of several rocket attacks in recent weeks, and one East European diplomat said that three attacks have been launched this month. The seven deaths occurred on July 2 and on July 9 when four rockets landed in or near the Soviet chancery, damaging cars and shattering window panes.

The anti-marxist guerrillas fired a total of 12 rockets into various other localities of Kabul on July 16. Two of them landed in the compound of Prime Minister Sultan Ali Kishtmand's office, injuring two guards.

The Afghan Government announced on July 16, that 62 rockets were captured from a village west of Kabul, when extensive house-to-house searches were carried out on guerrilla hideouts.

Two Soviet-made M1-24-D advanced gunship helicopters were brought to Pakistan by seven Afghan air force officers, pilots and navigators, who have sought political asylum in Pakistan. The gunship helicopters are the first to arrive in a Western-aligned country, and the Pakistan Government has refused Kabul's requests to send them back.

● Western diplomats yesterday reported heavy Soviet bombing of rebel positions in Afghanistan's Panjshe valley and guerilla rocket attacks in the capital Kabul.

NZ charges couple with arson

BY DAI HAYWARD IN WELLINGTON

A COUPLE has been arrested in New Zealand in connection with the bombing and sinking of the Green Peace flagship Rainbow Warrior in Auckland harbour last week.

The couple, whose identities have not been revealed, have been charged with arson and murder. They will appear in court today.

New Zealand police have been holding a man and woman, travelling on Swiss passports, for some days in connection with immigration charges. They confirmed that the couple were being questioned on the Green Peace bombing.

Prime Minister David Lange said earlier that the bombing of the vessel, in which a crew member died, had "a political motivation." The purpose of the bombing was to put an end to Rainbow Warrior's anti-nuclear protest operations.

Several people were involved in an operation which was well planned and well financed, the Prime Minister said.

New Zealand police have confirmed that for the past few days they have asked the Swiss authorities to find a couple believed to have been born in Lancy and still living in Switzerland. However, Interpol can find no trace of the couple and an Interpol officer said: "They don't appear to exist."

Mystery also surrounds the background of one of the four French crew members of a chartered yacht which left New Zealand a few hours after the bombing. He has been named as Dr Xavier Maniquet.

On the night of the bombing a frogman was seen coming ashore from a Zodiac dinghy and was picked up by a couple in a mobile caravan. Police said the movements of the mobile caravan were linked to the Rainbow Warrior bombing.

The couple held by police since last week had been previously travelling around New Zealand in a motorised caravan. Bail was refused and they have been held in custody.

OECD urges labour market reforms

BY PAUL BETTS IN PARIS

NEW ZEALAND must perservere with its anti-inflationary monetary and fiscal policies and resist any temptations to revert to its earlier protectionist and interventionist approach, the Organisation for Economic Co-operation and Development (OECD) urges in its annual report on the New Zealand economy.

The OECD is particularly anxious to see New Zealand introduce reforms to make its labour market more flexible and to hold down wage and price increases. The Government, for its part, is pressed not to relax its fiscal deficit reduction programme by the Paris based agency.

Although progress has been made in the phasing out of import controls, New Zealand remains nonetheless one of the most highly protected economies in the OECD, and the agency says the sooner these controls disappear the better.

The New Zealand economic and monetary adjustment policies involving the combination of fiscal restraint, higher interest rates and the reduction of protection and subsidy in certain economic sectors, will inevitably have some painful consequences on economic growth in the short term.

Indeed, the OECD forecasts a substantial slowdown in growth from close to 5 per cent in 1984-85 to virtually zero in 1985-86 with a slow recovery in 1986-87 with growth expected to be around 1 per cent.

Unemployment is expected to rise with the unemployment rate increasing from 3.7 per cent in 1984-85 to 5.1 per cent the following year.

Domestic demand, which rose 7.1 per cent in 1984-85, will decline by 3.7 per cent in 1985-86 and by 1.8 per cent the following year.

The OECD warns that consumer price inflation may also rise in the next six months but that the future course of inflation may also rise in the next six months but that the future course of inflation will largely depend on the new New Zealand wage round.

With wage rises peaking this year, inflation could return to single figures with a 9.5 per cent rate forecast for 1986-87 after a 12 per cent rate in 1985-86.

The Paris agency calls the progress made so far by New Zealand in its efforts to adopt a medium term of monetary and fiscal policy to readjust its economy as "impressive.

Philippines $925m bank loan set to go ahead

By Alexander Nicoll

A $925m (£670m) commercial bank loan for the Philippines finally appears set to go ahead after being dogged by delays since the end of 1983.

The loan was signed in May this year as part of a $10bn rescue package for the country, held up first by the Government's overstatement of foreign exchange reserves and then by a series of disputes with creditor banks.

Even after the signing, one of the 483 participating banks refused to provide its share of the loan. The bank, believed to be from the U.S., has now agreed to do so.

Disbursement of the first $400m of the loan is likely to follow the International Monetary Fund's (IMF) agreement to pay out the second tranche of an SDR 615m standby credit, expected at the end of this month or in the first half of August.

Lee outlines election plan

By Chris Sherwell in Singapore

SINGAPORE is pressing ahead with plans for an elected president with some executive powers, but it will be two years before constitutional amendments are framed and debated, Mr Lee Kuan Yew, the Prime Minister, told parliament yesterday.

Mr Lee first proposed the changes 11 months ago, suggesting that the presidency—currently a ceremonial position—be given special powers to prevent a future government going on a spending spree which might deplete the country's reserves, at present standing at S$23.4bn (£7.8bn).

The theory is that an elected head of state would have the authority to give or refuse consent over the use of reserves accumulated by previous governments. Critics have said it would transform Singapore's parliamentary democracy.

Mr Lee, who turns 62 this year, has previously hinted that he might retire to a "less active executive role" by the time he is 65.

Peres accepts two Palestinians on delegation list

BY DAVID LENNON IN TEL AVIV

TWO OF the Palestinians named by the Palestine Liberation Organisation (PLO) as potential members of a joint Jordanian - Palestinian delegation to hold talks with the U.S. and possibly later with Israel, are acceptable to the government in Jerusalem, Mr Shimon Peres, the Prime Minister, said yesterday.

Reversing his earlier rejection of the entire list, the Premier said that Israel would be willing to negotiate with two people living in the occupied territories named as Palestinian representatives.

The U.S. is planning to hold talks soon with the delegation to assess the prospects for opening direct peace negotiations with Israel. Jerusalem objects to the preliminary talks, arguing that the U.S. should realise that only direct negotiations between the concerned parties can bring about any progress.

Speaking to the Knesset Foreign Affairs and Defence Committee, the Premier is reported to have said that the PLO originally presented 22 names to King Hussein of Jordan, who rejected 15 of the people on the list, passing the names of seven to the U.S.

It now appears that after initially rejecting the seven, Mr Peres has now decided that Mr Hanna Siniora, an East Jerusalem newspaper editor, and Mr Faez Abu-Rahme, head of the Chamber of Advocates in the Gaza Strip, would be acceptable.

Reuter adds from Sidon: Four Israeli warships shelled the south Lebanese port of Sidon yesterday setting a cargo ship ablaze in the harbour, and pounding suspected militia positions in nearby hills, eye-witnesses said.

They said the warships stood between two and three miles offshore and fired in sequence, hurling dozens of shells at the harbour and into rural and hilly areas beyond the city. A medium-sized freighter, believed to be Cypriot and identified as the Roule, took a direct hit and was set on fire.

In Tel Aviv an army official said that an Israeli naval vessel on routine patrol off the Lebanese coast noticed a merchant vessel behaving in a suspicious manner and when the ship was approached it opened fire on the Israeli vessel. The Israelis returned the fire damaging the merchant ship.

Kuwaitis continue to deport foreign Arabs

BY KATHY EVANS IN KUWAIT

TWO WEEKS after the cafe bomb blast in which 11 people were killed, Kuwait is continuing to deport foreign Arabs and Iranians. Iran's national news agency said yesterday that 130 Iranians had been deported in the last few days, though this could not be confirmed with Kuwaiti officials.

Arab diplomats in the country also said that about 100 to 150 of their nationals had also been asked to leave. All are said to be Shia, and 10 of them are members of the family of Sheikh Mohammed Fadlallah, spiritual leader of Lebanon's Shi-ite community and head of the Hezbollah (Party of God). The deportees are also said to include Iraqis and Syrians.

Many of those asked to leave are said to have spoken out in favour of Lebanon's national resistance and contributed money to a reconstruction fund for southern Lebanon.

Kuwaiti police are said to have been conducting night raids on the homes of suspected people. This has aroused concern among a number of Kuwaitis and Shia Deputy Nasser Sarkhu complained about the action in a recent session of parliament.

AP adds from Beirut: Sheikh Fadlallah said in a newspaper interview on Monday that he was "doing more than anyone else" to secure the freedom of 13 foreigners kidnapped in Lebanon over the last 18 months. He said he was opposed to kidnappings and had "tried in personal initiatives and before anyone asked me" to seek the release of the seven Americans, four Frenchmen, one Briton and one Iranian.

S. African police name 441 of detainees

By Anthony Robinson in Johannesburg

SOUTH AFRICAN security forces continued their roundup of anti-apartheid activists yesterday as policy in Pretoria issued the names of 441 people arrested without charge during the first three days of the state of emergency declared on Saturday night. A further 60 people have been charged with criminal offences.

Despite the police crackdown, unrest continued in many parts of the country, with at least 9 deaths reported since Sunday.

The funeral of 15 people killed in Kwathema on the East Rand three weeks ago passed off quietly, however, against a strong show of strength by army and police units.

Among the mourners was Bishop Keith Sutton, the Bishop of Lichfield. He was sent by the Archbishop of Canterbury, head of the Anglican Church.

Bishop Sutton was accompanied by Bishop Desmond Tutu, the black Anglican bishop of Johannesburg, who in a moving speech denounced both the state of emergency and the brutal killing of alleged black informers.

Among the objects of security force attention yesterday was the Johannesburg headquarters of the United Democratic Front (UDF) which was raided at noon.

Police detained one man and emerged with a box of documents after a three-hour search. Activists from the UDF as well as the black consciousness Azapo movement figured prominently among the list of detained persons which also includes four priests and leaders of the Black Motor Assembly and Component Workers Union (Macusa) in the Port Elizabeth area.

In perhaps the most embarrassing incident for the Government, three policemen arrested Mrs Molly Blackburn, a prominent local opposition councillor in Port Elizabeth, only hours before she was due to meet a group of high-ranking members of the Ford Foundation in South Africa on a fact finding mission.

Members of the fact finding mission including Mr Cyrus Vance, former U.S. Secretary of State and Mr Robert McNamara, former minister of secretary of defence and head of the World Bank.

EEC to retaliate if U.S. imposes new curbs on steel

BY QUENTIN PEEL IN BRUSSELS

EEC officials have been instructed to draw up a list of possible retaliatory trade measures in case the U.S. decides on unilateral restrictions on European exports of 16 steel products currently being negotiated.

Community foreign ministers were warned yesterday that talks on imposing quotas on the products, supposed to have been completed by July 15, were making very slow progress, with a wide gap between the European and U.S. positions.

They instructed Mr Willy de Clercq, the European Commissioner responsible for external trade, to continue negotiations and report back to industry ministers meeting on Thursday. In the meantime, a list of possible counter-measures will be drawn up.

The products concerned, including alloy wire rods, rails and wheels and axles have hitherto been allowed unrestricted access to the U.S. market, but subject to "consultation" in the case of any surge in sales. Quotas are being negotiated on all the products, except semi-finished steel.

National officials in Brussels said yesterday that the U.S. was insisting that overall tonnages should be held to a level 25 per cent below the record sales of 1984, when EEC exports of the 16 products reached 630,000 tonnes.

The last EEC position was a demand for a level of 1984 less only 10 per cent—some 570,000 tonnes. Officials said that Japan had succeeded in negotiating a level about 20 per cent below their 1984 sales, and the Community would be unlikely to settle for less.

U.S. officials said, however, that Washington had already reached virtually its final position, to allow imports averaging somewhere between the levels of 1982 and 1984. They pointed out that the Japanese agreement included restrictions on semi-finished prudocts, so far excluded from the EEC talks.

If the talks cannot be satisfactorially concluded by Thursday, when EEC industry ministers are due to meet to discuss reform of their steel industry regime and the ending of operating subsidies, an emergency ministerial meeting may have to be called for next week.

The list of U.S. exports on which retaliatory restrictions might be imposed is likely to be similar to that drawn up last March, when the latest steel trade dispute began. This included such items as citrus fruit, manufactured tobacco, hybrid maize seed and fertilisers.

International group aims to boost Europe-China links

BY JOHN WICKS IN ZURICH

AN international body, backed largely by Swiss and German interests, has been set up in Zurich to promote economic and scientific relations between Europe and China.

Euro-China Organisation for operation (Ecotec) is supported by European industrial companies, banks and research institutes.

Its partners in China are to be the Ministry of Foreign Economic Relations and Trade, the People's Bank, the Bank of China, the state Economic Academy of Social Sciences.

Ecotec's main aim will be to set up a common information pool. It is arranging a sympsia in Peking this autumn on the reorgainsation of the banking system and the management of information. Among other ventures will be a monthly newsletter and joint research programmes.

● Ciba-Geigy, the Basle-based chemicals group, has announced it is considering establishing a joint venture with a Chinese state corporation to establish a production unit in the republic.

This follows a planned joint venture by Hoffmann-La Roche, another Swiss chemicals group, to manufacture fodder vitamin additives in China. Sandoz, the third leading chemicals group in Basle, recently opened a Peking office.

U.S. joins call for extension of MFA

By Anthony Moreton, Textiles Correspondent in Geneva

THE U.S. yesterday joined the EEC and Japan in calling for an extension of the Multi-Fibre Arrangement (MFA) when the present agreement runs out in a year's time.

However, at a meeting of the textiles committee of the General Agreement on Tariffs and Trade (Gatt) in Geneva, it carefully refrained from joining the Europeans in seeking a more liberal deal.

Mr Charles Carlisle, the American delegate, has had to tread carefully because of the strong protectionist pressures building up in the U.S. as imports from the Far East flow into the country boosted by the strong dollar. Textile imports rose 25 per cent in 1983 and another 32 per cent last year.

More than half the members of both houses of Congress have called for increased protectionism, despite the U.S. Government's desire for an MFA that would give greater access to Western markets for low-cost suppliers.

The MFA, which governs a large part of world trade in textiles and clothing, was introduced in 1974 and extended in 1978 and 1982.

It was bitterly criticised yesterday by the supplier nations whose spokesman, Mr Joun Young Sun, of South Korea, said that during its lifetime the MFA had become "more restrictive and increasingly discriminatory."

"It has failed in its central objective of facilitating structural adjustment in developed countries' textiles and clothing industries and has left us farther away from the goal of trade liberalisation sought in 1974."

Yesterday's meeting was a statutory one; the terms of the MFA state that a review must be held 12 months before the agreement is due to expire.

The next meeting of the textiles committee will be held in December. It is not thought in Geneva that much progress will be made on whether the MFA will be extended, revised or ended before the early summer of next year.

South Korea keen to stake its trade claim

GATT

Seoul believes it has much to gain from a new round of trade talks. In this, the fourth article in the series on Gatt, Steven B. Butler analyses South Korea's attitude to the negotiations.

WHEN Mr Kim Ki-Hwan, one of the principle architects of South Korea's trade policy who heads the International Economic Policy Council, visited Washington earlier this month, some of the local Press took advantage of his absence to aim a few barbed comments in his direction.

"Dr Kim," the papers said in sarcastic reference to his PhD degree in economics from the University of California at Berkeley, and his popularity with the foreign Press gives in too easily to American pressure.

The U.S. wants Korea to open its markets to foreign cigarette producers to personal computer makers and insurance companies, said the local Press. It also wants Korea to abide by international conventions on the protection of intellectual property.

The newspapers' criticism reflects a growing dilemma for Mr Kim and other Government leaders who believe that free trade, including the continued, gradual opening of Korea's domestic market, is good for Korea, and not merely a defensive move to forestall foreign pressure.

Mr Kim has heard a torrent of complaints from foreign Governments that Korea's domestic market is far too protected and that non-tariff barriers are coming down only to be replaced by high tariffs. The complaints have grown louder now that Korea is the 15th largest trader in the world.

At home, however, a more liberalised political atmosphere and a downturn in the economy have resulted in an eruption of protest that import liberalisation has harmed Korean industry and should be rolled back.

Government leaders say they will not be swayed by either their domestic or their foreign critics and will proceed with liberalisation as announced in 1983. The Government's ability to move ahead may depend critically on whether the international trading system remains sufficiently open to accept a rising volume of Korean exports. Failing that, Korea's economy, which depends on exports for smoe 30 per cent of the gross national product, will stagnate.

"We are very positive toward a new round of General Agreement on Tariffs and Trade (Gatt) negotiations," says Mr Kim. "We have a deep recognition that we are dependent on trade. A new round will arrest the slide into protectionism."

Korea has distinguished itself sharply from India and Brazil, which are resisting the pressure from industrialised nations for services to be included on the Gatt agenda. "India and Brazil do not understand the benefits of trade," says a Korean official.

Mr Park Un-Suh, a senior official in the Ministry of Trade and Industry, says Korea would like a freeze on further protectionist measures before talks start, but it is unlikely to delay a new round for any reason.

Government leaders believe they have too much to gain from new trade talks, and too much to lose by delay. They do no want to exclude anything from the agenda—services, the world financial system or agriculture—and they do not care if some countries do not take part.

"Launching a new round is so urgent that negotiations can start among a sufficient number of like-minded countries," says Mr Kim. "We should forestall any delays as a result of a few countries who keep screaming."

Korea does have priorities. It wants the negotiations to turn first to the so-called "old issues," including abuse of the safeguard clause and dispute settlement.

Korea has suffered in recent years under a variety of quota systems, "Voluntary restraints," and orderly marketing agreements in some of their main export areas—electronics, steel, textiles and footwear. Government statistics show that the proportion of Korea's exports subject to non-tariff barriers has risen from 24 per cent in 1978 to 41 per cent in 1984.

Korea recognises that countries must be able to protect themselves against import surges that disrupt local markets, but officials say, that emergency measures must include a schedule for measures to be phased out within a few years, and compensation must be paid to the exporting countries, if necessary a cash payment from the Government.

To enforce this line, Korea would like to see a strengthened mechanism for settling disputes under Gatt, including a panel with authority to make binding decisions.

It also wants to revise the Gatt anti-dumping clause. Mr Park describes many of the anti-dumping suits against Korea as "procedural protectionist measures." He says Korea was exonerated in 17 out of 28 anti-dumping suits in 1984.

Korea is more than just accommodating over adding services to the agenda; it wants services defined to include not only banking, law and insurance, but also construction, aviation, nursing, mechanics, restaurants and hotels.

Korea has an important stake in making its arguments heard in the next round, and they will be presented by people who believe that an open world trading system benefits all.

The arguments will be dulled considerably unless Korea succeeds where so far it has failed in convincing the rest of the world that protectionism in Korea is really on the way out.

One diplomat calls Korea's moves to remove import restrictions "rubbish." But government officials maintain that they are misunderstood.

"Many people forget that we started as a closed economy and are in the process of opening up, with a full opening as the goal, says Mr Kim.

"Liberalisation is genuinely taking place," says Dr Yoo Jungho, an economist specialising in international trade. "Emergency tariffs are small in number, the automatic approval of goods is rising and tariffs are falling. Opening up the Korean market is good for the economy and it is unfair to claim Korea is saying one thing and doing another. It is doing what it says."

The previous articles in this series appeared on July 2, July 12 and July 18.

Singapore improves Indian ties

BY CHRIS SHERWELL IN SINGAPORE

SINGAPORE is optimistic about business prospects emerging in India following measures by the Gandhi Government to liberalise its country's economy.

Singapore's Trade Development Board says a recent exploratory mission to the subcontinent found great potential in electronics, oil exploration, car components and light machinery. It has since decided to send a six-person oil industry delegation to India in September.

The hope is that Singapore's experience in these fields, together with links forged by its own large Indian community, will combine to secure business abroad at a time of relative economic depression at home. The key appears to be Prime Minister Rajiv Gandhi's aim of pushing through measures easing import restrictions, tariffs and licensing regulations.

The September mission is pected to meet officials of India's Oil and Natural Gas Commission and Oil India as well as manufacturers of oilfield equipment. According to the exploratory mission, which visited the country in April, India aims to be self-suffient in oil products by 1990 and has budgeted Rs 180bn (£10.8bn) to achieve this.

Some of this money will be spent on 112 onshore drilling rigs and numerous offshore jack-ups, semisubmersibles and drilling ships. Singapore, with its experience as a rigbuilder and offshore oil service centre, would hope at least to become a major subcontractor in competing against countries like Japan and South Korea.

Opportunities in electronics spring from India's aims to build a $10bn (£7.1bn) industry by 1990, embracing consumer products, computers and components. For example, the country wants to provide a television service for 70 per cent of its 730m population—the figure is currently put at 20 per cent—and Singapore could help in supplying sets and components.

Singapore no longer assembles cars but it could supply airconditioners for them. It also sees opportunities for technical collaboration as India strives to achieve fully indigenous production in the next few years.

The exploratory team to India recommends that Singapore sends missions to cover all these industrial sectors and that the country participate in Indian trade fairs.

It suggests Singapore can help India to market its goods abroad, including in China, and that Singapore itself could find markets in East Europe and the Soviet Union through India.

It warns that continuity of the liberalisation trend in India remains uncertain but says Singapore should follow countries like Japan, which have already moved into India and take advantage of recent developments.

Japan Air Lines plans non-stop service to London

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

JAPAN AIR LINES is planning to start non-stop air services between Tokyo and London, via Siberia, next April. A similar non-stop service between Tokyo and Paris is planned for 1987, as part of the airline's revised four-year plan from 1986 to 1990.

By travelling non-stop via Siberia, the Japan-Europe journey time can be cut by several hours.

The airline believes their international air traffic will increase considerably between 1986 and 1990, and that competition from foreign airlines will intensify.

In addition to the non-stop operations, using longer-range versions of the Boeing 747 Jumbo jet, JAL will increase the number of existing Polar route flights between Japan and Europe via Anchorage in Alaska from 19 a week to about 25. Joint cargo services with British Airways, Lufthansa and Air France will also be increased.

● Cathay Pacific, the Hong Kong-based international airline, is hoping for an increase in the volume of services it can fly into China, will result from the forthcoming talks on a UK-Chinese air agreement. The talks are due to start in Peking on September 2.

Mr Michael Miles, chairman of Cathay Pacific, said in London yesterday that Cathay was able to make only three scheduled flights and one charter service to Shanghai weekly. Only one charter service a week was permitted to Peking.

Mr Miles believed that, if approved, Cathay could fill several wide-bodied jet services weekly (either TriStars or Boeing 747s) into both Peking and Shanghai.

Bayer studies outcome of boycott list decision

BY JOHN DAVIES IN FRANKFURT

BAYER, the West German chemical and pharmaceutical concern, is studying the implications of its removal from the Arab boycott list.

The company says, however, that it is still too early to assess what that might mean in terms of Middle East business.

Bayer was one of nine companies, including Ford and Colgate Palmolive of the U.S., that were removed from the "black list" at a meeting of the Arab Boycott of Israel Office in Damascus last week.

Bayer says it never received an official explanation of why it was put on the boycott list in 1981.

The move came after the West German concern took over the Miles Laboratories pharmaceutical company of the U.S. in 1978.

Arab sources have indicated that they were concerned about Miles's involvement in a citric acid venture in Israel. For business reasons, however, Miles has since withdrawn from the venture.

Hoechst, one of the other leading West German chemical groups, has had close Middle East links for some years. Kuwait Petroleum Corporation is Hoechst's largest single shareholder with a 24.9 per cent stake and Kuwait is also represented on Hoechst's supervisory board.

Trade barriers plan divides Third World

NEW DELHI – Some Asian nations will reject proposals to lower trade barriers between Third World countries, officials attending the second day of a conference on trade protectionism said yesterday.

The officials, among those from nearly 70 developing states at the meeting, said it was also unlikely that all members of the Association of South-East Asian Nations (Asean) would adopt a draft resolution blaming the West for the world's economic ills.

Ministers from 32 developing countries will meet in Delhi for two days starting tomorrow to consider both questions.

They also hope to form a common position on a new round of talks on the General Agreement on Tariffs and Trade (Gatt), expected within a year.

The Asean nations, which already allow one another reduced tariffs, have little to gain under the new proposals, known as the Global System of Trade Preferences (GSPT), the officials said.

Asean groups Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand. Reuter.

U.S. and Morocco sign treaty

BY NANCY DUNNE IN WASHINGTON

THE U.S. and Morocco have signed a bilateral investment treaty giving American investors the same legal rights as Moroccans, including compensation for expropriation and court access.

The treaty is the latest in a series of pacts signed by the U.S. in a three-year-old effort to help Americans who invest overseas. Last year, American foreign investment totalled $232bn worldwide with $50m invested in Morocco.

The U.S. has so far signed similar agreements with Egypt, Panama, Zaire, Haiti and Senagal, and it is in negotiation with Cameroon, Bangladesh and Turkey for others. The pacts are expected to go to the Senate for approval by the end of this year.

NY Governor opens bi-partisan tax plan attack

BY WILLIAM HALL IN NEW YORK

NEW YORK State governor Mario Cuomo yesterday opened a new bi-partisan attack on the U.S. administration's plan to abolish the deductability of state and local taxes from federal income tax returns, one of the most controversial elements in the tax reform proposals.

Governor Cuomo, who was addressing a New York breakfast meeting, introduced a string of political figures from his own Democratic Party such as New York Mayor Ed Koch and Senator Daniel Moynihan and Republican politicians such as Senator Alfonse D'Amato of New York and Senator Frank Murkowski of Alaska, who are backing his coalition to defeat the abolishment of tax deductability.

There has been growing dissent among political leaders across the country since the U.S. administration unveiled its plans to abolish tax deductability, the most widely used deduction in the U.S. tax code.

The proposal, which is estimated to save the U.S. Federal Government over $30bn (£21.5bn) in lost taxes, has been portrayed by the Administration as only affecting people in rich states

However, Governor Cuomo went to great lengths yesterday to show that the tax deduction was not the preserve of the rich. He said over half of the 33m U.S. households which made use of the right, had average incomes below $38,000.

Referring to the several Republican figures, and the representatives of poorer states such as Senator Dale Bumpers of Arkansas, who joined him on the platform at New York's Hilton Hotel, Governor Cuomo said: "The current proposal to do away with deductability is such a radical assault on the fundamental principal of federalism that it obscures any other differences we might have."

His sentiments were echoed by several Republican speakers who attacked "the attempted federal raids on middle-class taxpayers' pocket-books."

Although the U.S. Administration has tried to isolate criticism of its tax deductability proposals as primarily a case of special pleading by wealthy New Yorkers who will suffer more than most, yesterday's speakers showed that the coalition that is being formed against the proposal is far more broadly based.

Andrew Gowers, recently in Sao Paulo, on threats to ethanol exports to U.S.

Fuel-alcohol leaves Brasilia with a headache

ALCOHOL – the source of the sweet and sickly smell in the air of Brazilian cities these days – is giving the country's policymakers an increasing headache.

The smell emanates from Brazilian cars that burn alcohol instead of, or in addition to, petrol as part of the country's ambitious plan to substitute sugar-derived ethanol for oil.

The headache comes from what the Brazilians see as growing protectionism against their ethanol exports in their number one foreign market, the United States.

This week, Mr Robert Gusmao, Brasilia's Industry and Trade Minister, has been in the U.S. seeking to persuade petrol distributors to buy up to 2bn litres of fuel ethanol per year. However, Brazil's exports face formidable hurdles: a high U.S. tariff against alcohol imports and, more important, an anti-dumping case brought by U.S. producers of ethanol from maize.

Brazil's so-called "Proalcool" programme has been a resounding domestic success, making the country the world's largest fuel ethanol producer with targeted output of 11bn litres in 1985-88.

More than 90 per cent of new cars sold in Brazil are powered by pure alcohol and demand for ethanol is projected to grow at an annual rate of 35 per cent. The country has already reduced its oil import bill by about $2bn a year and is in a position to begin scaling down its exports of sugar on to the surplus-ridden and unremunerative world market.

For the moment, however, Brazil is not interested merely in supplying its own market; producers see large and lucrative potential elsewhere, particularly in the U.S.

Last year it exported 950m litres of alcohol, representing 11 per cent of total production and worth about $200m, of which more than two thirds went to America.

This year, however, exports have plunged and as a result the country has been building up a stockpile of surplus ethanol.

Brazilians are learning the hard way that agricultural protectionism does not necessarily stop with farm products.

The history of the U.S. market for ethanol is a chequered one. It reaches back to the late 1970s, when oil shocks prompted President Jimmy Carter and Congress to introduce hefty Government incentives for alternative fuels.

In 1978 Congress passed a law exempting alcohol fuels from the federal excise tax on gasoline, and two years later it authorised the expenditure of almost $1bn on fuel alcohol research projects.

Topping-up: the "Proalcool" programme is a domestic success.

Aside from encouraging the development of a U.S. market for ethanol, those incentives have activated a domestic ethanol industry lobby keen to protect its interests against imports.

Ethanol imports have been subject to increasing tariffs. The import surcharge which started out at 10 cents (7p) a gallon a few years ago, has now reached 60 cents, a level which a leading official of Petrobras, the Brazilian state oil company, recently described as "absurdly high." But the opportunities and the obstacles for Brazil in the U.S. market have grown this year.

The opportunity stems from the U.S. Environmental Protection Agency's recent decision to phase down the lead content of petrol from 1.1g per leaded gallon to 0.1g in two phases, starting this month and ending next January.

This has prompted refiners to look urgently for alternative ways to maintain the octane value of their products – one of which is to replace lead with ethanol. It has also caused the Brazilian producers' mouths to water as never before, and was the spur for Sr Gusmao's U.S. visit this week.

Brazil even has contingency plans to double its exports to the U.S. by cutting the proportion of ethanol used domestically in "gasohol," the petrol-alcohol blend.

A host of potential producers are also waiting in the wings in the Caribbean countries, which could export ethanol to the U.S. free of duty under the Reagan Administration's Caribbean Basin Initiative.

The danger lies partly in increased uncertainty in the U.S. maize-into-ethanol industry as a result of President Ronald Reagan's tax reform plan, which calls for the scrapping of tax subsidies for ethanol producers.

Faced with shrinking alternative outlets for their maize and extremely keen pricing by Brazil, 15 U.S. producers, led by a company called Archer Daniels Midland, have filed an anti-dumping case with America's International Trade Commission and one calling for countervailing duties with the Commerce Department.

Both cases, due for decision in August and November respectively are being vigorously fought by Brazil.

Brazilian producers cannot really see what all the fuss is about. After all, they reason, at current production levels the U.S. cannot meet its own likely internal needs for ethanol, estimated at up to 15bn litres a year.

One possible outcome, on past precedent, is that the U.S. will impose quotas on ethanol imports from Brazil. This is probably a solution with which the Brazilians can live, serving U.S. coastal markets, while Mid-western and other markets are left to American producers.

The prospects for other markets for Brazilian ethanol, meanwhile, are none too bright. The EEC is due to phase down the lead content of petrol over the next few years but chances are its refiners will opt for other ways of enhancing octane values.

Baldrige welcomes signs of recovery in industry

BY OUR WASHINGTON CORRESPONDENT

COMMERCE DEPARTMENT Secretary Mr Malcolm Baldrige, grasping at better than expected new order figures released yesterday, said yesterday that he detected signs that U.S. industry may be "emerging from its doldrums of the past year."

Earlier the Commerce Department had reported that new orders for durable goods in June rose a healthy 1.8 per cent after a strong 3.3 per cent rise in May. New order figures often provide a guide to the strength of industrial activity

The Commerce Department conceded, however, that over half the increase reflected military orders which have been strong throughout the year and that without this component the increase would only have been 0.7 per cent.

Some pick-up in orders has been expected as a result of the running down of stocks in recent months, but it is recognised that this alone will not ensure a revival in economic growth which rose at a real annual rate of only 1 per cent in the first half of this year.

Separately, the Commerce Department also reported that inflation remains under control. The consumer price index increased by only 0.2 per cent in June. For the first six months of this year consumer prices have risen at an annual rate of 3.7 per cent.

Reagan gives star performance for Li

By Stewart Fleming in Washington

ON A sparkling summer day, mercifully free of the oppressive humidity which normally clogs the Washington atmosphere throughout July and August, President Ronald Reagan, gaunt but standing ramrod straight as the strains of "The Star-Spangled Banner" echoed over the south lawn of the White House yesterday, welcomed President Li Xiannian of China to the United States.

It was a memorable day in many ways. The first official visit to the U.S. by a Chinese head of state and the 74-year-old U.S. President's first official public ceremony since he returned to the White House on Saturday from Bethesda Naval Hospital a mere seven days after undergoing major surgery for colon cancer.

As the Marine Corp band struck up Hail to the Chief, Mr Reagan appeared with his wife Nancy to welcome the Chinese President as he drew up outside the entrance to the White House in a black limousine.

With the Administration's political aristocracy watching, the President walked slowly but firmly the few steps to the podium, stood for the two national anthems, delivered a brief welcoming statement and then, in a break with tradition, sat while his 76-year-old guest from China completed the formal words of welcome.

From time to time Mrs Reagan, standing on the grass just a few yards away, glanced across at her husband, but without a hint of the anxiety she surely felt. Her poise in the past few painful days has won her widespread admiration. The ceremony over, Mr Reagan turned as the Army Herald Trumpets on the White House balcony above him let out a triumphal blast, leaned heavily on the brass balustrade surrounding the podium and then unaided, gingerly negotiated the three steps to the lawn and disappeared indoors.

For the White House staff, the President's performance will clearly have justified the risk they took in exposing him so quickly to this sort of ceremonial ordeal.

But the continuing doubts about the ability of an ailing President to breathe fresh vigour into a second Administration which has been marred by more political tragedies than triumphs, will not be swept away with such facility.

Mexico awaits austerity package

By David Gardner in Mexico City

PRESIDENT Miguel de la Madrid's restatement of his Government's austerity policy at Mexico's annual bankers' convention on Monday, in lieu of a widely-anticipated package for immediate implementation, received a mixed reception from the business community and press.

Sr de la Madrid's overall message that radical structural reform would be pursued at a gradual pace, "without precipitation," was sufficiently vague and consensual to keep most observers guessing as to how it would translate in practice.

The left-wing daily La Jornada, for example, speculates that promised cuts in public spending "through the reduction in government and public sector structures" foreshadows the abolition of some under-secretaryships or even a ministry, and possible company closures.

Members of the four main employers' organisations, however, welcomed the renewed commitment to a "realistic and flexible exchange rate" in order to boost non-oil exports and tourism. But in remarks to El Financiero, the local financial daily, they appear to believe that Sr de la Madrid's reiterated pledge to liberalise foreign trade would "modernise" the economy but not at a rate which might damage their interests.

Plan of action for Contadora

THE FOUR-NATION Contadora group yesterday ended a two-day meeting with a plan of action to revive its flagging Central American peace initiative, Reuter reports from Panama City.

A communique issued by the foreign ministers of Mexico, Panama, Colombia and Venezuela said they would present the five Central American governments in early August with a study of security aspects not covered by last year's 21-point peace plan.

The ministers also invited Nicaragua and Costa Rica to start negotiations on their border tensions by August 10, in Panama; and called for Nicaragua and the U.S. to resume direct dialogue.

Damon to build £30m factory in Scotland

BY TONY JACKSON, CHEMICALS CORRESPONDENT

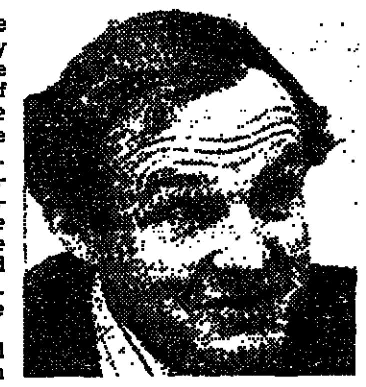
A £30M biotechnology plant is to be built in Livingston, Scotland, by Damon Biotech of the U.S. The plant – claimed to be the biggest of its kind in the world – will make monoclonal antibodies, man-made proteins used by the drug industry.

Building of the plant will be undertaken and paid for by the Scottish Development Agency, and the British Government will contribute towards the cost of job training and research and development (R&D). The project is expected to create 300 jobs during the next four years.

Damon says the investment will be one of the biggest ever made in biotechnology in Europe. Explaining the choice of Livingston as a site, Damon chairman Dr Nigel Webb said: "The UK, and Scotland in particular, has an outstanding scientific and medical community." The financial assistance offered was also an important factor.

The Livingston plant will be the manufacturing end of Damon's production of monoclonal antibodies. The existing plant in Boston, Massachusetts – where production capacity is one tenth of that planned for Livingston – will remain the centre for R&D.

Antibodies are part of the body's immune system which act against invading organisms such as viruses.



George Younger

Monoclonal antibodies are man-made versions produced by bio-engineering techniques. They were invented 10 years ago in the British Medical Research Council's laboratories in Cambridge.

The advantage claimed for monoclonal antibodies is that they can be designed to recognise highly specific substances. They are already on the market in diagnostic kits used to identify diseases, and it is hoped they can also be used in cancer therapy.

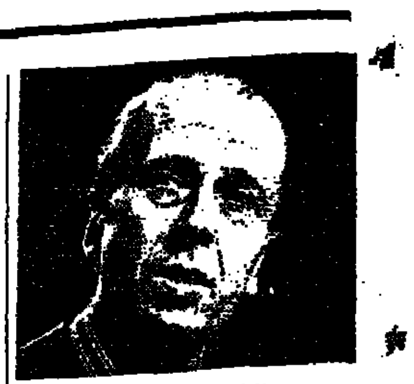
Dr Webb said: "The beauty of these antibodies is that, unlike conventional pharmaceuticals, they attack only the harmful or diseased cells, without damaging the body's healthy tissue. In other words, they are very safe."

Monoclonal antibodies are not yet on the market for any therapeutic use. However, Dr Webb said he expected the first licence for such a product to be granted later this year. "The worldwide monoclonal antibody market may be as much as £4bn in the early 1990s."

This is not the first time U.S. biotechnology companies have been induced to come to Europe. Last December a Philadelphia-based company, Centocor, announced the setting up of a Dutch subsidiary, involving investment of $5m at a plant near Leiden.

The major British producer of monoclonal antibodies is Celltech. Like Centocor, Celltech is working on diagnostic applications, particularly through a joint venture recently set up with the retail and drugs group Boots.

Mr George Younger, Secretary of State for Scotland, said: "I congratulate Damon on bringing us this exciting project of international significance. We believe that the project does much to establish Scotland's position in the new biotechnology industry."



Norman Tebbit

Cut-price solution for faster mails

By Jason Crisp

CYNICS WERE quick to point out yesterday that a proposed 1p reduction in the price of second-class postage stamps to 12p should help the Post Office with one of its biggest problems – its poor delivery record for first class mail.

The cut is likely to limit the growth of first-class letters (17p) which the Post Office – 350 years old this month – finds unaccountably difficult to deliver on time. By reducing the price of a second-class letter by 1p to 12p from November 4, the differential between first and second class will be 42p per cent, the widest since two streams of mail were introduced in 1968. At present, about 60 per cent of the mail goes second class and that is likely to increase once the differential is widened.

The 1p reduction coincides with the anniversary celebrations, and an announcement that the Post Office has lifted profits to a record level of around £130m (excluding National Giro) in the past year.

It is the overall increase in mail volumes that has enabled the Post Office to make the first cut in price of the basic mail service since the penny post was introduced in 1840. The nature of the postal network with its high fixed costs makes it particularly sensitive to the volume of mail carried.

Even now the volume of mail being carried is still less than it was in the 1960s. In spite of considerable recent improvements, productivity is still only on a par with the 1960s, when it was considered very low. After the price cut, the average price of mail is still nearly 50 per cent higher in real terms than it was in 1970.

Since taking over the chairmanship of the Post Office in 1980, Sir Ron Dearing has concentrated on increasing mail volumes. The object has been to increase volumes, lower unit costs and hold back price rises. An improvement in volumes has followed aggressive marketing where there was once none, and more recently holding price increases below the rate of inflation. There has been a sharp increase in financial mail – partly a result of the growth in the number of credit cards – and in direct mail advertising.

Productivity has also increased by 16 per cent in the last five years, largely a result of improved volumes. On one hand, many services have been cut in recent years such as second deliveries in rural areas, Sunday collections and late weekday collections in London. On the other, the number of addresses to which deliveries are made has risen at 2 to 3 per cent a year.

Those changes have occurred during a period in which the Post Office has been severely constrained by tight financial restrictions imposed by the Government.

Undoubtedly the greatest failure has been the quality of service of the mails. It has been vigorously criticised for its poor service by the Consumers Association, the Monopolies and Mergers Commission, the Mail Users Association, the Post Office Users' National Council and the Institute of Directors.

According to the Post Office's own figures, it delivers 86.8 per cent of first-class mail the first working day after collection compared with a target of 90 per cent. It has been struggling unsuccessfully for years to meet that target. Which?, the consumer magazine, said last month that 42 per cent of first-class, long-distance letters failed to arrive the following working day.

Customers are also quick to point out that Post Office figures are misleading. They say the count starts only when a letter has been accepted at the sorting office, which ignores the time the letter has spent in the mail box. The count stops when the letter is sorted into a postman's "walk", which leaves room for further delay or mistakes. Also, problems caused by numerous local labour disputes do not appear in its figures because the normal practice is to close the letter boxes in the area of dispute.

Mr Norman Tebbit, Trade and Industry Secretary, congratulated the Post Office yesterday at celebrations of its 350th anniversary. He said: "The Post Office has shown that with a fully commercial approach and effective productivity measures accepted by the unions and workforce, worthwhile benefits can be shared among the workforce, shareholders and customers."

Plan to harmonise product liability endorsed by MPs

BY IVOR OWEN

PRELIMINARY STEPS by the Government towards harmonising UK law on product liability with that of the other member states of the EEC have been approved without a division in the House of Commons.

Tory MPs concerned about the effect on British manufacturers, particularly in regard to insurance costs, were content to voice their doubts and allow a motion approving the Government's intention to adopt an EEC directive on the issue to gain acceptance without challenge.

Mr Alex Fletcher, Under Secretary for Corporate and Consumer Affairs, suggested that the Confederation of British Industry (CBI) had exaggerated the likely effect of the directive on industry. "I see no reason why we should assume, in terms of insurance costs, that anything devastating or disastrous would happen to our industry here," he said.

Mr Fletcher maintained that it was not necessarily imposing a new burden on any kind of business to place the large manufacturer and importer on the same footing as the small retailer.

He believed that the consumer would benefit from the injection of certainty into the law on product liability throughout the Community. Retailers would benefit to the extent that consumers would be able to sue directly the manufacturers of the defective product.

At present, only the immediate supplier, through the retailer, was directly liable for products that proved to be defective. Mr Fletcher promised that there would be further consultations with interested parties before legislation seeking to implement the EEC directive was brought before the House.

Retail jewellery sales rise by 13%

BY CHRISTOPHER PARKES

THE REVIVING fortunes of British consumers, particularly among the better-off, last year pushed retail jewellery sales to their highest level since the record year of 1979.

Unit sales rose by 13 per cent, with strong growth in gold and diamonds and a continuation of the decline in the market for silver, according to a study by European Data & Research sponsored by De Beers and the International Gold Corporation.

The value of sales of all precious metal jewellery increased by 35 per cent to total £1.12bn. The gold market alone accounted for more than £1bn of this.

However, the improvement may be tailing off. The study found it began to fade in the second half of last year, and the report concludes that sales this year are likely to remain static or perhaps fall a little.

With an eye on the improving after-tax income of the better-off contrasting with the more modest increases among the lower-paid, the report suggests there could be a healthy increase in sales of more costly jewellery.

The gold market is still dominated by sales of the cheapest 9-carat grade, which accounts for 88 per cent of all unit sales. However the past five years have seen the market share of 22 carat jewellery increase from 3 per cent to 7 per cent. The report puts this down to sales to the Asian community which is growing in numbers and purchasing power.

Agencies cautious on BBC advertising plan

BY RAYMOND SNODDY

A SIGNIFICANT number of advertising agencies are against the BBC's taking advertising, a new survey published today shows.

Thirteen agencies that took part in the survey organised by Marketing Week, the trade magazine, said they were against the BBC's being required to take advertising, and a further six said they were undecided. Sixty-three agencies took part in the survey.

The survey comes as a Government-appointed committee begins looking at alternatives to the licence fee for the financing of the BBC, with advertising at the top of the list.

The Institute of Practitioners in Advertising, now working on its submission to the committee, is expected to take a strongly pro-BBC advertising line.

Mr Simon Lloyd, media director at Foote Cone & Belding, said the decision on advertising on the BBC was probably the most significant broadcasting policy issue for a generation.

Advertising on ITV and Channel 4 produced a balanced audience that was of considerable advantage to advertisers and a great contrast with the mass audience of the U.S.

Unrestricted advertising on the BBC, Mr Lloyd believes, might disrupt that balance by forcing television companies to go for the largest audiences with cheaper programmes. The quality of advertisements on British television would also fall, he believes.

One of the "undecided" agencies, Young & Rubicam, said it believed controlled sponsorship and various forms of programme co-production might prove to be equally acceptable sources of revenue for the BBC as advertising.

Most respondents favoured advertising on just some BBC channels rather than all of them.

Stadium deal likely

BY TERRY POVEY

MR ABDUL SHAMJI is on the verge of selling his key stake in the Wembley Stadium and sports complex to a consortium of investors led by Mr Peter de Savary, the financier.

"We have spent two months evaluating Wembley's assets and have met all the shareholders," said Mr de Savary yesterday. "Mr Shamji has indicated he is willing to dispose of his interest and it is clear the buying out of his stake is essential for any restructuring to succeed."

The £50m deal being put together by Mr de Savary, who is no stranger to the sporting world having put up some £8m to finance the UK entry into the 1983 Americas Cup, involves buying out Gomba Holdings, Mr Shamji's master company, and the creation of a new holding company in which all others with stakes in any of the existing Wembley companies would be offered shares.


Look what's happened at Britoil since the Government sold 51% of its shares.
In November 1982, Britoil became a publicly quoted company when the Government sold 51% of its shares to the public. Since then Britoil's achievements have been most impressive.
Britoil is one of the country's leading oil and gas companies. And it's one of the world's largest companies engaged primarily in exploration and production.
Since 1981, its profits after tax have virtually doubled.
Today, Britoil has the greatest share of exploration acreage of any company on the UK Continental Shelf.
During 1984 it produced 61,000,000 barrels of oil – nearly 6,000,000 gallons a day and 69 billion cubic feet of gas.
At the end of 1984, Britoil's worldwide reserves stood at 554,000,000 barrels of oil and 916 billion cubic feet of gas.
Now the Government has decided to offer its remaining shares for sale.
And, as in the past, it intends to give private individuals, not just City institutions, a full opportunity to apply for shares.
Subject to market conditions the offer is planned for the end of this month.
There will be just seven days in which to make an application for shares before the offer closes early in August.
The Offer for Sale document and application forms will be published in many national newspapers.
They will also be available from all branches of National Westminster Bank, Barclays Bank and Bank of Scotland. But you can ensure you receive an application form and a copy of the Offer for Sale document as soon as they are available simply by filling in this coupon.
Britoil has built up a first class team of exploration, project development and field operating staff led by experienced management.
Britoil
Please send me more information about Britoil and reserve my copy of the Offer For Sale document, without obligation.
Name
Address
Postcode
FT24/7
Send to: Britoil plc, P.O. Box 5000, Bristol, BS99 1GB.
Britoil

UK NEWS

British Gas on target despite sterling setback

BY DOMINIC LAWSON

THE DROP in the value of the pound cost British Gas more than £100m in its financial year to March, Sir Denis Rooke, the chairman of the British Gas Corporation, revealed yesterday.

The corporation's 1984-1985 current cost pre-tax profits of £651m on a turnover of £6.96bn, although well down on the previous year's £849m, are still in line with the financial target set by the Government. The Government's target calls for an average annual return on assets of 4 per cent over four years. In the year to March 1985 – the second in the four-year plan – British Gas has made a return of 3.9 per cent, making an average during the past two years of 4.7 per cent.

But British Gas is facing a steeper rise in the cost of its gas supplies. Last year the corporation paid an average price per therm of 16.26p, almost 23 per cent higher than the previous year's cost. The problem was exacerbated last year as the sharp drop in the value of sterling meant British Gas had to pay much more for the 20 per cent of its supplies which it takes from the Norwegian Frigg field.

In the UK sector of the North Sea, British Gas is now having to pay about 26p a therm for supplies from new fields, well above the average for most of its supplies from existing North Sea fields.

Sir Denis said yesterday that because of the continuing volatility in exchange rates and oil prices, the corporation was in no position to forecast what would happen to the prices it would charge to consumers. Sir Denis added: "I am not feeling anything other than confused."

Up till now the corporation has managed to avoid sharp rises in the prices it charges – which would weaken its hold on the UK heating market – by reducing its non-gas costs. During the past two years a reduction of almost 9 per cent has been achieved.

In 1984-85 the corporation was a net payer to the Government of £698.7m, compared with £828m in the previous year. The gas levy was reduced from £521.5m to £500m.

Sir Denis said yesterday he was "neutral" on the benefits of privatisation.

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ROSYTH AND DEVONPORT LOSE JOBS UNDER GOVERNMENT RESHAPING PLAN

Private companies to manage dockyards

FINANCIAL TIMES REPORTER

THE ROYAL Dockyards at Devonport, in the west of England and at Rosyth, in Scotland, are to be turned over to commercial management.

The move, coupled with about 2,400 job losses, will take place no later than April 1, 1987 and is expected to save at least £12m a year, rising to perhaps as much as £33m a year, Mr Michael Heseltine, Defence Secretary told MPs yesterday in the House of Commons. The yards have a turnover of £400m and employ about 20,000.

Immediately after the statement, 8,000 Rosyth workers said they would hold a one-day strike today in protest.

Mr Heseltine said there was almost unanimous agreement that a significant change was needed in the way the dockyards were run.

Commercial management was the Government's favoured option and Mr Heseltine said he had been much influenced by the fact that it was also the Royal Navy's preferred solution.

"The Government is convinced that the right way ahead is to retain ownership of the fixed assets and to bring in commercial management to run them," Mr Heseltine added. He would seek competitive tenders from "competent British companies."

Regardless of the longer-term management structure, there had to be improvements in efficiency and these would involve loss of jobs.

Andrew Fisher writes: Companies which have shown an interest in managing the dockyards cover the construction, engineering, nuclear, and electronics sectors. Balfour Beatty, the construction group, said its interest was centred on Rosyth and any involvement would be through its Scottish subsidiary.

Trafalgar House, which owns the Scott Lithgow offshore construction yard on the Clyde and was beaten by GEC over the Yarrow warship yard, could see Rosyth as an alternative to the latter, which it wanted as an extra arm for its wide-ranging engineering and fabrication interests.

Mr Terrel Wyatt, chairman of Costain, said: "We're studying what is possible. Costain is not just a building and civil engineering contractor, but concerned with the design, construction, and refurbishment of process plants."

Babcock, which has done extensive defence work on the nuclear side and has a contract with the Vickers yard to build equipment for the Trident project, sees a possible link between its main manufacturing plant at Renfrew in Scotland and the Rosyth dockyard.

Weir Group, based in Scotland, makes pumps for marine and land use. It has a close association with the Royal Navy and has owned shipyards in the past.

Telecom deal backed by Oftel

BY JASON CRISP

PROFESSOR BRYAN CARSBERG, director general of the Office of Telecommunications (OFTEL) has approved Brtish Telecom's decision to buy a second system of digital telephone exchanges from Thorn-Ericsson, a jont venture between Thorn EMI and LM Ericsson of Sweden.

In spite of his approval he wants BT to restrict its purchases to less than 20 per cent of its total exchange needs in order to give its British suppliers GEC Telecommunications and Plessey more time

BT is expected to want between 2m and 3m digital exchange lines a year as part of its major modernisation of Britain's antiquated telephone network. In March, it ordered up to £100m of AXE10 exchanges developed and manufactured by LM Ericsson, the first time it had made a substantial order for a foreign system. At present Thorn-Ericsson is to supply 100,000 lines in the second half of next year and between 300,000 and 500,000 in 1987.

Prof Carsberg's investigation followed a number of complaints from the industry and from an all-party delegation of MPs who were concerned that BT was using its buying power against the public interest.

He says that BT's order was placed to introduce competitive pressures on price and delivery and gain additional security of supply to improve its ability to satisfy its customers' demands and finance its services.

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Guinness given Bell bid clearance

FINANCIAL TIMES REPORTER

GUINNESS, the brewing group, has been given clearance to go ahead with its contested £303m takeover bid for Arthur Bell, the independent Scotch whisky group.

The Office of Fair Trading has decided that the bid should not be referred to the Monopolies Commission.

Mr Ernest Saunders, Guinness chief executive, said: "This clearance recognises the unique credentials of Guinness as a partner for Bells and our ability to contribute to the development of Scotch whisky.

Mr Raymond Miguel, Bell's chairman, said he was concerned at the decision not to have an inquiry "in view of the consequences for the business of Bell and the Scottish region" if the takeover went ahead.

Art will guarantee members of Lloyd's

MEMBERS of the Lloyd's insurance market will in future be able to use their art collections as proof that they have enough assets to meet any insurance claims on them, writes George Graham.

Hogg Robinson, a Lloyd's broker, and Sotheby's, the London-based auction house, have joined to offer a scheme whereby works of art can be used as backing for a bank guarantee. The guarantee can then be used as part of the member's deposit at Lloyd's.

Sotheby's will value works of art, and a guarantee will then be issued by Barclays Bank for 35 per cent of this valuation. Barclays will be insured by Sun Alliance Insurance.

Usually potential members must show individual wealth of at least £100,000 ($139,000), half of which must be lodged with Lloyd's in the form of a deposit.

Fine art is not acceptable by itself to the Lloyd's authorities as a deposit. Nor can it generally be used to support a bank guarantee, unless the work of art is itself lodged in the bank.

Sotheby's said the scheme provided an opportunity for collectors to use their works of art as earning assets, but investment should not be seen as the main aim.

□ A FRESH attempt is being made to resolve a stage hands' strike that has cost the Royal Opera House, Covent Garden, in London, more than £100,000 in cancelled performances.

The dispute, about overtime, has already affected four performances of the Royal Ballet's Swan Lake.

□ BRITAIN would be robbed of even more independence in its defence and foreign policy by joining in the U.S. star wars project, the Shadow Defence Secretary, Mr Denzil Davies, has warned.

He spoke out as the British Secretary of State, Mr Michael Heseltine, returned from talks in Washington with Mr Casper Weinberger, his U.S. counterpart, on possible British participation.

□ CUT-PRICE American airline People Express has announced fare reductions on its route between Gatwick and Newark, New York, aided by the strength of the pound.

□ CROWDS of people at Plymouth – about 250 miles south-west of London – watched the oldest Royal Navy ship still afloat start her final voyage to the scrapyard. HMS Forth, launched in August 1938, is the last remaining Royal Navy ship to have served in the second world war.

□ TRACTOR sales in Britain's milk-producing regions increased sharply in the first half of this year – seen as evidence of a resurgence of confidence among British dairy farmers.

□ THE COST of running Britain's Houses of Parliament increased by more than twice the inflation rate over the past four years, the Leader of the House of Commons, Mr John Biffen, has disclosed. Running costs are now £77.5m, he said.

□ A RESHUFFLE of the top ranks of Britain's National Coal Board in the next few weeks could provide a clue to the Government's thinking about the successor to the chairman, Mr Ian MacGregor, whose contract still has a year to run.

The changes will come about because two of Mr MacGregor's senior co-directors, including his deputy, Mr James Cowan, are retiring.

□ SINCLAIR RESEARCH, the troubled home computer group, has promoted Mr Bill Jeffrey to be chief executive. The appointment follows several months' search to find someone to take over the day-to-day running from Sir Clive Sinclair, founder of the company.

Nuclear group fined over waste charges

By Raymond Hughes

BRITISH NUCLEAR FUELS has been fined a total of £10,000 and ordered to pay prosecution costs not exceeding £60,000 on four charges arising from the contamination by radioactive waste of beaches near its Sellafield plant in Cumbria in November 1983.

By majorities of 10 to one, a jury at Carlisle Crown Court found the State-owned company guilty of not keeping radioactivity in discharged nuclear waste as low as reasonably achievable; not giving the public adequate warning of the radiation risk; and not keeping records of radioactive material discharged into the sea. BNFL had pleaded not guilty to all the charges.

At the beginning of the seven-week trial, the company had pleaded guilty to a charge of failing to keep adequate records of its operations.

Two other charges were withdrawn during the trial at the judge's direction.

The charges, alleging breaches of the 1960 Radioactive Substances Act and the 1965 Nuclear Installations Act, all related to the discharge of radioactive waste into the Irish Sea during Sellafield's annual shutdown for maintenance in November 1983.

Sentencing the company, Mr Justice Rose said the primary purpose of the prosecution – the public investigation by a jury of the events of November 1983 – had been achieved. Punishment was a secondary consideration.

He said he bore in mind BNFL's great resources but also that those resources came ultimately from the tax-paying public.

He also took account of the fact that the discharge that was at the heart of the case had been within BNFL's authorised limits.

The judge said it was important that there had been no harm or risk of harm to the public.

He fined the company £5,000 for discharging highly radioactive matter and liquids into the sea "to such amount and at such a rate that radiation exposure ... was not as low as was reasonably achievable."

Court orders union to end ban on railbuses

BY DAVID BRINDLE, LABOUR STAFF

THE NATIONAL Union of Railwaymen (NUR) was yesterday ordered in the High Court to end its refusal to operate 25 railbuses being built for British Rail by a private company.

The union's executive committee is expected to meet this morning to determine its response to the court order, won under the Trade Union Act 1984 and believed to be the first time BR has used the law against one of the rail unions.

On the basis of its recent conference decision in favour of pre-strike ballots, the NUR may opt to protect itself under the Act by calling for a vote on its refusal to operate the trains. If the union stands firm, however, it could within days face a fine and, later, sequestration of assets.

The union is opposed to the railbuses because they were not built in British Rail's own workshops, where 4,800 jobs are to be axed over the next two years.

The NUR executive is expected to discuss its case in the context of confrontation with BR on a broad front, including the issue of driver-only train operation which is causing continued disruption

The NUR was not represented in court yesterday when Mr Justice McNeil granted BR's application for an order at a 30-minute private hearing. BR said afterwards: "We are glad that the court has found in our favour, but we took no pleasure from the fact that the issue had been taken to court. Everything possible has been done to solve the issue without recourse to the law."

The 25 diesel railbuses at the heart of the dispute are being built by Walter Alexander of Falkirk, Scotland. BR says one of the units is ready to be moved to Derby for evaluation.

NOTICE OF REDEMPTION

To the Holders of

Bank of Tokyo (Curaçao) Holding N.V.

U.S. \$100,000,000 12⅝% Guaranteed Bonds Due 1992

NOTICE IS HEREBY GIVEN to the holders of the 12⅝% Guaranteed Bonds Due 1992 (the "Bonds") of Bank of Tokyo (Curaçao) Holding N.V., a Netherlands Antilles corporation established in Curaçao (the "Company"), that pursuant to Condition 5(b) of the Terms and Conditions of the Bonds, the Company has elected to redeem, on August 23, 1985, a part of the Bonds in the aggregate principal amount of U.S. \$6,000,000 and bearing the following serial numbers at the redemption price of 101% of the principal amount thereof, together with accrued interest to such date of redemption which will amount to \$71.19 for each Bond.

SERIAL NUMBERS OF BONDS TO BE REDEEMED

6	2404	4518	6825	8818	11389	13573	15968	18588	20849	23376	25734	28235	30325	32572	34862	37230	39794	42184	44683	47243	49611	52199	54835	57246	59487	61617	64221	66522	69078	71457	73762	76023	78385	80669	83122	85679	88117	90558	93047	95202	97649
34	2418	4562	6826	8835	11396	13579	15972	18590	20852	23396	25786	28262	30343	32581	34904	37240	39803	42191	44704	47249	49615	52208	54856	57263	59504	61634	64224	66528	69079	71475	73789	76028	78394	80706	83124	85708	88146	90560	93062	95210	97675
64	2420	4586	6837	8848	11401	13600	15976	18604	20895	23449	25792	28289	30349	32613	34919	37263	39882	42198	44711	47256	49618	52248	54864	57313	59510	61658	64252	66552	69099	71497	73802	76047	78435	80714	83138	85724	88175	90605	93095	95257	97688
109	2427	4592	6840	8861	11412	13628	15992	18630	20896	23473	25798	28293	30351	32624	34927	37266	39909	42208	44734	47275	49643	52268	54866	57324	59523	61661	64262	66591	69113	71509	73810	76067	78451	80750	83149	85747	88187	90616	93120	95264	97708
114	2433	4600	6842	8871	11414	13659	16022	18672	20936	23483	25803	28311	30361	32634	34958	37270	39919	42228	44765	47280	49648	52278	54880	57326	59554	61677	64303	66596	69169	71510	73815	76122	78461	80791	83180	85757	88189	90657	93146	95270	97746
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Payment of the redemption price and accrued interest to such date of redemption will be made on or after August 23, 1985 upon presentation and surrender of the Bonds to be redeemed, together with all appurtenant coupons maturing subsequent to August 23, 1985 at the principal offices of any of the following Paying Agents, namely, The Bank of Tokyo Trust Company in New York City, The Bank of Tokyo, Ltd. in Brussels and London, The Bank of Tokyo (Luxembourg) S.A. in Luxembourg and Bank of Tokyo (Switzerland) Ltd. in Zurich, except that payment of the above-mentioned accrued interest will be made only at the aforesaid office of any Paying Agent other than the Paying Agent in New York City.

On and after August 23, 1985, interest on the Bonds to be redeemed will cease to accrue.

BANK OF TOKYO (CURAÇAO) HOLDING N.V.

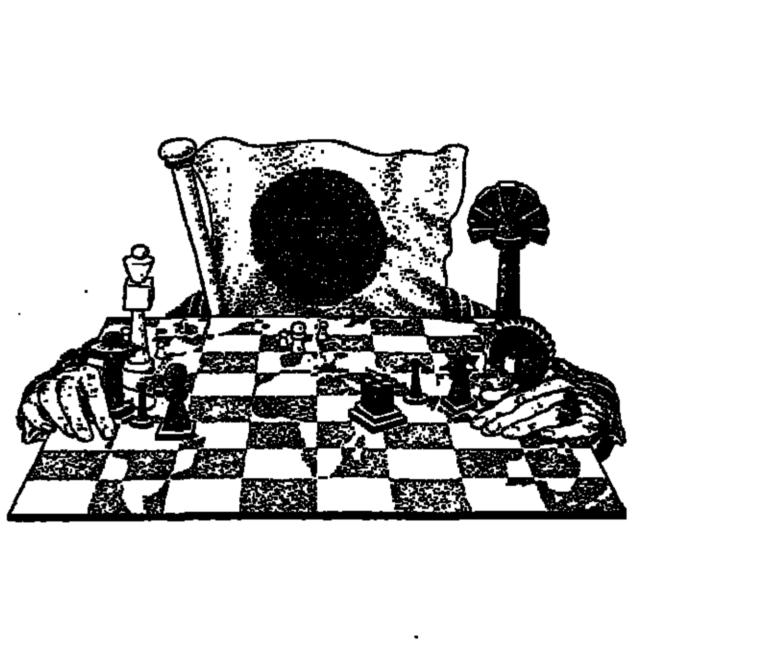
By: The Bank of Tokyo Trust Company

as Fiscal Agent

Dated: July 24, 1985

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ



The dangers of home comforts

Christopher Lorenz on Western misconceptions of Japan's global push

MANY European and American companies are responding to the challenge of Japanese competition with all the precision of a novice duck hunter who either aims at the wrong kind of bird, or shoots persistently behind his prey.

Such companies are not only failing to achieve a vital competitive advantage which the Japanese gain every day, by cross - subsidising between national markets. By becoming preoccupied with matching Japan's low-cost economies of scale, and neglecting to build strong international distribution networks and brand franchises, they have also ensured that they remain behind the Japanese competition — and vulnerable to it.

This is the essence of a broadly-based and swingeing attack on conventional wisdom about global competition and strategy by two academics writing in the latest edition of the Harvard Business Review.* "The current perspective on global competition and the globalisation of markets is incomplete and misleading," argue Gary Hamel, a lecturer at the London Business School and Professor C. K. Prahalad of the University of Michigan. "Corporate response to the threat is often misdirected and mistimed," say Hamel and Prahalad, who call for new concepts of competitive analysis and organisational structure.

Patterns of international cros-subsidisation apply to many industries, they claim, including consumer electronics, computers, aircraft engines, tyres and chemicals. In each case it has been international cash flows rather than scale economies which have determined competitive success.

"Global competitors are not battling simply for world volume but also for cash flow to support new product development, investment in core technologies and world distribution." Competitors with global distribution and wide product lines are best able to justify investments in new core technologies. "Witness Honda's leadership in engine technology, a capability it exploits in automobiles, motorcycles, snowmobiles, lawnmowers, power generators and so forth.

Hamel and Prahalad argue that companies which decide just to "nestle in their home beds" will be at an increasing disadvantage in terms of resources, if not costs. "They will be unable to marshal the forces required for a defence of the home market."

If a global competitor spots a more favourable growth rate in a foreign market populated by contented and lazy competitors who are unable or unwilling to fight back, and with customers that are less price sensitive than at home, "it will target that market on its global road. Domestic competitors will be caught unaware."

The implications for strictly domestic companies are clear, say Hamel and Prahalad: they must fight for access to their competitors' market. "If no one challenges a global competitor in its home market . . . its profitability rises, and the day when it can attack the home markets of its rivals is hastened. That IBM shares this view is evident from its pitched battle with Fujitsu and Hitachi in Japan."

In the TV set industry, by contrast, the two writers castigate U.S. manufacturers for their inadequate response to the emergence of global competition, and underline the problems currently being experienced by Europe's leading company, Philips, in spite of its clear recognition of global realities.

Having broken into the U.S. TV market during the 1960s by exploiting their cost advantages, and by offering higher quality, Japanese companies began to recognise the vulnerability of their competitive position. As Hamel and Prahalad emphasise, "labour costs change as economies develop or as exchange rate fluctuate. The world's low-cost manufacturing location is constantly shifting: from Japan to Korea, then to Singapore and Taiwan."

The advantages to be gained by economies of scale are particularly vulnerable to radical changes in manufacturing technology, the authors stress, as well as to creeping protectionism in export markets.

Throughout the 1970s Japanese TV makers therefore invested heavily to create strong distribution channels and brand franchises, and thereby to "add another layer of competitive advantage." They "force-fed distribution channels by rapidly accelerating product life cycles and expanding across contiguous market segments." By the end of the decade, "the Japanese competitive advantage had evolved from low-cost sourcing, to world-scale volume and worldwide brand positions across the spectrum of consumer electronic products."

All this had developed out of the "loose brick" that the Japanese had found 10 years earlier in the U.S. market: the unserved market segment for small-screen, portable TVs.

But most U.S. TV makers failed to understand the intentions of their rivals, and correctly to interpret their changing tactics. They responded by reducing costs and catching up in technology. Even as RCA, GE and Zenith "patted themselves on the back for closing the cost gap, the Japanese were cementing future profit foundations through investment in global brand positions"—not just in the U.S., but in Europe and third markets, with all the consequent potential for cross-subsidisation.

While Zenith and RCA had dominated the TV business in the U.S., neither had a strong presence elsewhere. "With no choice of competitive venue [unlike the Japanese], American companies had to fight every market share battle in the United States. When U.S. companies reduced prices at home, they subjected 100 per cent of their sales volume to market pressure." Matsushita could force them to cut prices, but thanks to its wide global spread only a fraction of its business was similarly exposed.

Like the U.S. TV set makers, companies defending domestic positions are often short-sighted about the strategic intentions of their competitors, warn Hamel and Prahalad. "With no appreciation of strategic intent, defensive-minded competitors are doomed to a perpetual game of catch-up."

From its European base, Philips has always benefited from the kind of international distribution system that its U.S. competitors lack. It has also, belatedly, established low-cost manufacturing. But it has its own set of problems, especially those of "weaving disparate national subsidiaries into a coherent global competitive team."

International companies such as Philips and General Motors prospered in the fragmented and politicised European market by adopting the "local face" of a good multinational citizen, recall the two authors. Today Philips and other multinationals need a global strategic perspective, and a corresponding shift in the locus of strategic responsibility away from country organisations. But this need conflicts with escalating demands by host governments for national responsiveness.

The resulting organisational problems are complex, and require complex, ambiguous solutions, in which the authority for resource allocation needs to be located at different points in the organisation for different "subsystems"—manufacturing, marketing, distribution and so on.

Because of this, decentralised and self-contained "strategic business unit" structures (SBUs), which have been popular in the U.S. for many years and are now taking root in Europe, are inappropriate, claim Hamel and Prahalad. "A strong SBU-type organisation may not facilitate investments in international distribution," and the independence of the various businesses may make it difficult to cross-subsidise between them.

Global competitors may have to "slice the company in one way for distribution investments, in another for technology, and in still another for manufacturing." As in their understanding and implementation of global competitive strategies, they "must have the capacity to think and act in complex ways." New analytical concepts and new organisational arrangements must go hand-in-hand.

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Training

An advocate of change

Alan Pike talks to Sir Richard O'Brien of the EITB

"IF A COMPANY has to recruit adult labour from the outside market the directors should be complaining to the personnel manager. There should be no need to recruit from outside if a company is training its staff properly."

Sir Richard O'Brien makes this statement with the certainty of one who has no doubt about the link between industrial training and economic success. Judged by the overall level of investment in training in Britain in the past, though, the link has seemed less certain to many UK industrialists. A recent Manpower Services Commission estimate put spending on training by private sector companies at 0.15 per cent of turnover—which compares with at least 3 to 4 per cent by leading companies in West Germany, Japan and the U.S.

But Sir Richard is convinced that a fundamental change in attitudes is under way. If this is so, he has undoubtedly played a part in bringing it about.

Sir Richard retires this month after three years as chairman of the Engineering Industry Training Board, one of the handful of statutory boards which survived the Government's *enthusiasm* for the introduction of voluntary industrial training efforts after the 1979 election.

At earlier stages of his career Sir Richard had a background in engineering, as a director of Delta Metal and industrial relations director of the then British Motor Corporation. But the most remarkable part of his previous experience which he took to the EITB was six years, between 1976 and 1982, as chairman of the Manpower Services Commission.

During his time at the MSC the New Training Initiative was devised—to improve links between school and work, reform apprentice training and find ways of enabling adults to respond to the needs of technological change through regular retraining. At the engineering training board, Sir Richard has experienced the difficulties and satisfaction of implementing these guiding principles.

The changes in attitudes towards training which Sir Richard detects in the engineering industry arises from the very fact of new technology itself. "You simply cannot run a flexible manufacturing system unless you know exactly what you are doing. The consequences of not knowing what you are doing are catastrophic.

"There are few engineering companies today, from the smallest to the largest, which do not talk the language of new technology. This impact of technological change means that they must completely rethink their attitudes to training."

Some of Sir Richard's ideas on what the reform of training will mean to the engineering industry are far-reaching. He suggests that the UK engineering industry of the near future will employ only qualified staff. "It will no longer be efficient to have unqualified people in an engineering company. Everyone has to be properly trained and performing functions which deserve to be recognised by good, practical qualifications and certification."

The supervisory area is one where Sir Richard believes the industry particularly needs to employ more highly qualified and well trained staff, including people of engineering degree level.

Immediate

As Sir Richard acknowledges, the problem is that the benefits of training often do not come on stream until long after the initial investment has been made. For this reason many employers have traditionally preferred to invest in areas of more immediate return and worry about shortages of skilled workers when they arise.

This is precisely the sort of problem that the training board has to worry about. But during the period when Sir Richard was appointed to the EITB it was equally preoccupied with worrying about itself.

Although the board had survived the Government review which led to the abolition of a majority of statutory training organisations, a number of the UK's most prominent leading engineering companies had lost all confidence in it.

This culminated in representatives of Ford, Austin Rover, GEC, ICL, Lucas Industries, Perkins Engines, Smiths Industries, STC, Talbot, Plessey, TI Group, Vauxhall and Vickers last year calling upon Tom King, the Employment Secretary, to abolish the EITB. The critics accused the board of being preoccupied with old-fashioned mechanical engineering craft training at a time when advanced technology — and a growing shortage of key workers to operate it — were the true priorities facing engineering training.

Relationships between the board and some of its most prominent customers were remarkably low. Board officials accepted some criticism but, they argued, there was surely a case for reform rather than abolition.

The Government, however, decided against abolition and Sir Richard has led the EITB down the path of reform.

Innovations since last year have included the creation of a new advanced technology training unit within the board. Development programmes for board staff—and the use of secondments from the industry—are taking place to ensure that the EITB can provide companies with the right advice and services.

Sir Richard believes that, as a result of these and other changes, there is now more sympathy and understanding about the board throughout the engineering industry.

The man who was chairman of the Manpower Services Commission at a time when there were far more statutory training boards than there are today remains convinced of the need for a statutory organisation in engineering, with power to levy money from employers to finance the wider training requirements of the industry.

And the man who chaired the MSC when the present New Training Initiative priorities were launched believes that the idea of a French-style national training tax should form part of the debate over how to achieve those objectives.

"I am absolutely in favour of employers being responsible for recruitment and for meeting the costs—including training—involved in that recruitment. I am not implying that the costs of training should shift from employers to the State. But there are important questions to be resolved about how costs should be shared to reflect the local, industrial and national levels of interest. The case for and against a national training tax needs to be considered in this context."

TECHNOLOGY

EDITED BY ALAN CANE

Case for using glue is stronger than ever

Tests show that adhesives produce tougher bonds in steel than welding or rivetting, reports Geoffrey Charlish

MENTION GLUE to the average engineer and he is likely to look uneasy and reach for welding torch or riveting gun.

That attitude is no longer warranted; work just completed by the Production Engineering Research Association (PERA) at Melton Mowbray shows conclusively that adhesive bonded joints in sheet steel are stronger than either riveted or spot-welded joints of the same dimension.

The trouble is that adhesives are not as widely understood and documented as the conventional engineering methods of joining components. The characteristics of metals, after all, are widely known and trusted by engineers and there are basically only three — steel, copper and aluminium and their alloys.

Where permanent assembly is needed, manufacturers may be missing out by not giving more consideration to adhesives. PERA believes joining methods could be radically altered, whether the components are made of established materials or the new "composites" (fibres or metal in plastics) that are coming into increasing use.

For several years it has been closely examining adhesives and their use in a project supported by the Department of Trade and Industry, seven leading adhesive manufacturers and 28 engineering companies.

Some interesting findings have emerged. For example, an extensive programme of practical tests at Melton Mowbray showed that the procedures commonly used to evaluate adhesive performance are inadequate for engineering purposes. In particular, existing lap, shear and peel tests were shown to be ill-conceived, irrelevant and misleading, especially when applied to rigid components.

Furthermore, PERA believes that much of the development work in formulating adhesives for structural applications has been misguided and has led to a concentration of effort in areas of limited benefit—like the so-called "toughening" of adhesives. Complex and vague theories have emerged to explain relatively simple matters. In general, the association finds a need for improved data about adhesives.

By going back to first principles, it has established that the strength of an adhesive bond can be predicted reliably if the material properties of the adhesive and the components to be bonded are known. The methods are simple and use no complex technology.

Many manhours of trials have been conducted to analyse the performance of lap and scarf (diagonal) joints using proprietary adhesives, but the results remain confidential to the programme participants at the moment.

But details of the work on joint strength prediction have been converted into microcomputer software to allow engineers to deal with a wide variety of joints and loading conditions.

There are several advantages in using adhesives. Unlike most mechanical methods, no critical positioning of the parts is needed and manufacturing tolerances can be relaxed.

Often, sealing and joining can be accomplished in one operation. There is no heat or force, so that the components are seldom distorted or damaged. In production, access to the job is only needed from one side, giving an advantage in modern flexible manufacturing systems. In some cases, load distribution in the components making up the manufactured product is better and vibration transmission is reduced.

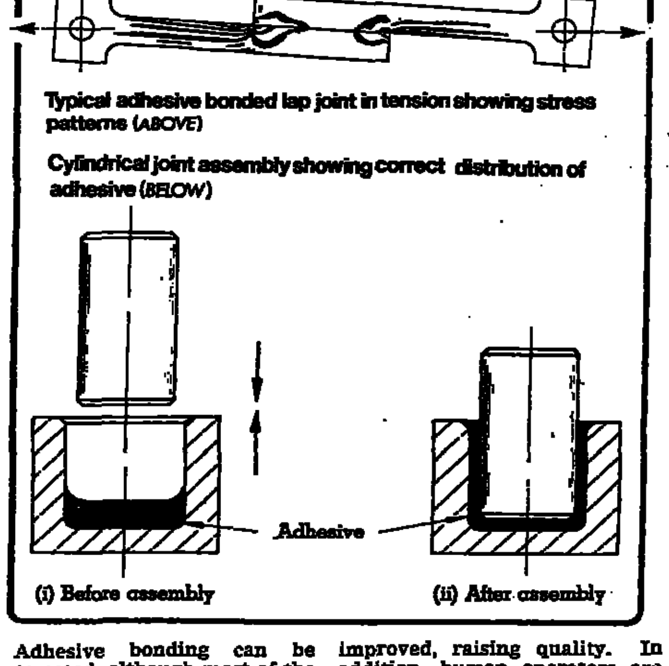
But there are drawbacks. For example, adhesive processes in production can be slow compared with say, spot-welding or riveting. Time is needed to apply the adhesive properly and to allow it to cure.

In general, the less time required for the bonding process, the poorer the performance of the joint. With hot melt adhesives for example, there may be only 40 seconds or so available to get the parts into position after application of the adhesive.

It also has to be appreciated that the polymers used for adhesives are not as strong as engineering metals. So the joints must have sufficient area — usually achieved by lap joints. Butt joints are almost always never strong enough.

New factory disciplines are needed for adhesives. Surfaces often have to be cleaned or abraded, and the technique may vary with both the adhesive and the material surface. For each process, techniques have to be developed for the removal of excess adhesive squeezed out of a joint, although this can be minimised by applying a minimum quantity in the first place. So costs may be incurred above those of normal joining methods.

A third of the 80-page PERA report is devoted to production processes, covering surface conditioning, adhesive preparation and application, component assembly, surface wetting, solidification and joint inspection.



Typical adhesive bonded lap joint in tension showing stress patterns (ABOVE)

Cylindrical joint assembly showing correct distribution of adhesive (BELOW)

Adhesive bonding can be automated, although most of the applications are still in the vehicle industry. The main advantage is that control of adhesive application and component positioning can be improved, raising quality. In addition, human operators are not subject to hazards.

Further work is planned at PERA, which seeks further sponsorship from adhesive makers and users.

Bright prospects for independent computer maintenance industry

WHAT FUTURE for independent computer maintenance companies, pincered between computers designed never to break down and computers whose faults can be diagnosed over a telephone line?

The answer, surprisingly, is bright in most parts of Europe, according to a survey by New York based consultant Frost and Sullivan which estimates growth rates of over 30 per cent a year up to 1989 in many European countries.

Third party, or independent, computer maintenance is a comparatively recent phenomenon in Europe although it was already well developed in the U.S. in the 1950s. Traditionally, computer manufacturers have provided maintenance as an additional and profitable part of a system sale, although many large users recruited and trained their own maintenance departments.

Third party maintenance (TPM) has a number of advantages, users say, according to Frost and Sullivan. These include costs which are invariably cheaper than the manufacturers' own maintenance service. Computer Field Maintenance, for example, reckons to charge typically 15 per cent less

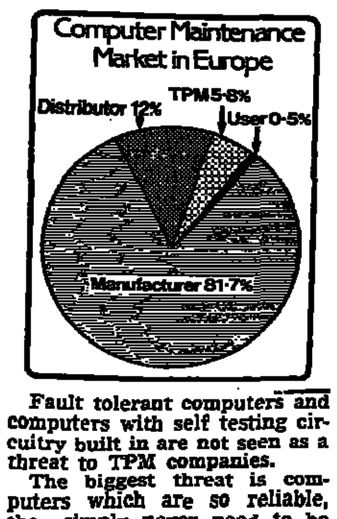
Third party companies are reckoned to be faster and more responsive.

There are drawbacks, however. Manufacturers argue that TPM engineers are inevitably less well trained and up to date than their own specialists.

Furthermore, they may not hold adequate stocks of spares or at the same price as the manufacturers.

What of the future? Remote diagnostics, pioneered by the Amdahl Corporation in the U.S. makes it possible to identify hardware and software faults at a distance from signals sent over a telephone line. Frost and Sullivan believes that TPM companies will invest in this kind of equipment when there is sufficient market pressure.

Hardware repairs still mean sending an engineer out with a replacement part even if the actual fault can be diagnosed remotely.



Fault tolerant computers and computers with self testing circuitry built in are not seen as a threat to TPM companies.

The biggest threat is computers which are so reliable, they simply never need to be repaired at all. When the "computer on a chip" arrives, Frost and Sullivan notes, what will there be to maintain on it?

In the U.S., there is already evidence that companies are finding it cheaper to insure against their computers going wrong than to sign what seems to them inordinately expensive maintenance contracts.

Such schemes are available in Europe but have made little impact yet. Third Party Maintenance in Europe $1,950.

ALAN CANE

TPM: EUROPE'S TOP 12 COMPANIES

	Turnover ($)	Market share (%)
Computer Field Maintenance	11.6m	6.9
DPCE Holdings	9.5m	5.7
Xtec/Vollwood	9.3m	5.6
Systems Maintenance & Services	8.6m	5.2
Cable and Wireless/Eurotec	7.8m	4.6
CGEE Alsthom	7.3m	4.4
Telub	7.3m	4.4
Informat	5.8m	3.5
ITS	5.2m	3.1
Control Data corporation	5.0m	3.0
GCS Engineering	4.6m	2.8
Kode Services	4.1m	2.5

Bonus for prepasted wallpaper

BRITAIN'S wallpaper industry could receive a boost from the development of a new series of solvents that makes production of prepasted coverings less complicated.

Prepasted wallpapers have emerged in only the past 15 years and represent an unsung technological achievement.

For the householder or professional decorator, they remove from paper hanging the tiresome and messy business of mixing up paste and slapping it on the wallpaper.

Instead, the prepasted paper is immersed in water for about 30 seconds to dissolve chemicals in the paste. In contact with the wall surface, the chemicals form bonds that are responsible for adhesion.

The problem for the paper manufacturer is coating on the paste. Most available techniques are complicated and entail other production processes besides the printing techniques with which the manufacturer is familiar.

Allied Colloids, the Bradford-based chemicals and process-treatment company, has introduced new forms of paste in solvents which can be applied to paper by rollers normally used for printing patterns.

As a result, it says, a paper manufacturer interested in extending its production to the prepasted type of product can do so without buying expensive hardware geared specifically to coating paste.

Furthermore, the wall-covering enterprise can quickly change its production routine to turn out a prepasted version of a popular pattern normally supplied in the non-pasted form. All it has to do is to add a quantity of paste to a roller system normally employed for printing.

The paste is in the form of an inorganic salt of an acrylic compound.

The water-soluble salt is applied to the paper by a roller while dispersed in an organic solvent such as white spirit. The paper needs only to be dried in an oven (to evaporate the solvent) before it is supplied to the shops.

Conventional techniques to add paste to wallpaper in manufacturers' factories are more complicated. In one method, a starch slurry is added by special equipment in which compressed air regulates the thickness of the coating. This has largely replaced an earlier technique in which starch dust (which forms the adhesive) is sprinkled onto the wallpaper.

Processes which involve starch-based pastes suffer from the drawback that the starch is decomposed at high temperatures.

A second way of producing prepasted papers uses an acrylic resin coated on to the paper, again with a technique that uses compressed air. Unlike the substance in the Allied Colloids product, the resin is not soluble in water.

It has to be converted to a sodium salt (which will dissolve once immersed in water in the home), by a second process in which sodium carbonate is added to the covering. This adds to the costs of the processing operation.

The innovation could increase the percentage of wallpaper sold in Britain that is prepasted, now standing at about 10 per cent. UK wallpaper sales are around £200m a year.

Other countries have been quicker to take to prepasted wall coverings. More than 70 per cent of the paper sold in the U.S. and Canada each year is prepasted.

PETER MARSH

Sun power for Alpine telephones

CHALETS AT Swiss ski-ing resorts are to be equipped with solar powered telephones by Plessey Radio Systems, Havnt, in a £100,000 deal with the Swiss telephone administration.

The resorts, high in the Alps, are beyond the reach of both the fixed telephone power supplies.

The Plessey units get the necessary power from a pole-mounted solar panel. Connection to the nearest telephone exchange is by means of a 1,500 MHz radio link. The system was originally developed for remote parts of the Third World, but the Swiss are the first to take advantage of it.

An electronic message taker

A DEVELOPMENT by Convergent Technologies, Amersham, allows workstations in office systems to be connected to both voice and data networks.

Called Voice Processor, the system allows the user to benefit from message taking, storing and forwarding for digitised voice messages as well as keyed data.

Verbal messages dictated into the system are digitised, that is, they are turned into a coded stream of pulses of the same form as computer data. They can be sent over the internal system like data, or externally over phone lines via a modem.

New CAD unit

APPLIED RESEARCH of Cambridge has launched Prodigy, a £35,000 stand-alone colour workstation for computer aided design (CAD). It comes complete with CAD software for architectural, construction and engineering applications, as well as hard and floppy disk and a printer.

THE ARTS

Television/Godfrey Hodgson

The case for a sporting channel

Sandy Lyle had played his drive to the 18th and his partner, the avuncular Christy O'Connor, was poised to hit his, when a distant tumult was relayed from the green.

A streaker, on the sacred turf of Royal St George's! Following instructions to give "no encouragement to such exhibitionism, Ricky Tilling, the BBC senior director who was picking the shots from the trailer, selected only a long shot, from which it was, however, possible to perceive that the streaker was of the male gender.

The commentators made little fuss of the incident. Sport on television has become a very big fuss indeed, and nowhere a bigger fuss than at the Open. Wimbledon with almost as many cameras and a bigger audiences, is more static and more predictable; the Test match, in comparison, where Richie Benaud's late night highlights are a model of swift editing and enlightening commentary, is a doddle.

The BBC's presence at Sandwich, for example, consists of five full outside broadcast units, not to mention half a dozen other assorted vehicles for television or radio.

On the course, 15 live cameras in fixed positions were supplemented with thre mobile minicameras. Some of the cameramen were perched high on gantries of scaffolding, others lifted 30 ft into the air in the bucket of mobile cranes.

You take it for granted that you will hear the wind whistling across the Sandwich dunes, the crack of the driver and the fat plop of well hit iron shots dropping on to the green.

You probably don't realise that those sounds come to you by courtesy of fixed rifle mikes on every tee and every green, supplemented by sound men roaming the fairways.

Out on the course the BBC alone has between 40-50 miles of the new, improved coaxial cable, which takes five days to rig, and ABC, Kerry Packer's Channel Nine and the Japanese are here in force, too—not to mention OB units from ITN, for the spot news, and from a facilities house, Trilion.

For the moment, European networks get their coverage from the BBC via Eurovision. But with the Spaniards and the West German Bernhard Langer to the fore, not to mention the Irish and the Swedes, it can only be a matter of time before another half dozen OB vans, each as big as a horsebox, put in an appearance.

Seventy steps up on the roof of the stand behind the 18th green, Harry Carpenter and the rest of the commentary team peer into monitors.

The call it the commentary "box" is a misnomer: it is a wooden hut 30 ft long, and more than 20 people are at work there.

Alongside each commentator there is a scorer in headphones, and along the other wall of the commentary box another dozen people are watching Aston and Ryley computer graphic machiunes to put players' names, hole indent, scores and leader board on your screen.

In the BBC trailer, the director, Tilling, and his executive producer, Harold Anderson, are sitting at a panel of monitors that would not disgrace any major studio, with five VTR machines playing into three VT sources and 10 live camera pictures available on two remote monitors.

When Royal St George's was used as an artillery range in World War II, Henry Longhurst said it was like chucking darts at a Rembrandt. What would Longhurst say now if he saw its rolling acres of largs and wildflowers transformed into a sound studio?

He was a cantankerous chap, and his thought might not be printable. But any thoughful view of the impact of television on sport, and the scarcely less dramatic impact of sport on television, would have to be a balanced one.

Professional sport is fast turning into sport on television. Crowds dwindle at all but the biggest football and cricket matches. Lords and the Oval, as well as first division football grounds, may soon be abandoned to the exhibitionists.

It is increasingly tempting either to play yourself—both park football and beer cricket are more poular than ever—or to watch the very best in the best way. At home, you are sheltered from the hazards of weather, public transport and fellow spectators alike.

The BBC cricket commentary team at Lords

There is more to it than that, though. I was lucky enough to watch the Lord's test from the balcony of a friend's box. Every time we saw a wicket fall, we rushed into the box to watch it again on television slo.mo.—because otherwise we were not sure what we had seen.

So television is transforming the traditional professional spectator sports. It is also taking up as sports what our grandparents called "pastimes." Yesterday darts, today snooker and bowls, tomorrow spillikins?

People who have never potted the black sit pop-eyed over snooker long past bedtime. Working class families where grand-dad would have sneered at a pink coat follow show jumping and eventing as granddad once followed Tranmere Rovers.

As television brings in a new audience for old sports, and new audiences for sports that have scarcely had audiences before, professional sport withers for lack of money. Amateur sport tries to become professional. Yet money in oceans is available for sport on television.

The BBC has just recirculated to its producers a well-meanmg document laying down the ground rules for keeping sponsors to so much free publicity, and no more. The task may be a worthy one. After all, as long as we allow no advertising on the BBC, it does seem a little illogical that the BBC should interpret that to mean "no advertising except on sports programmes."

Yet the effort reminds me, not so much of the old lady who tried to sweep the sea back with a broom, as of the King Canute of legend, who thought he could simply tell the tide to recede.

For advertising is everywhere on BBC sports programmes already. There are the ads for Honeywell computers on the cricket, and for Burroughs on the golf. There are racing cars advertising works teams and cricket competitions sponsored by insurance companies or cigarette manufacturers.

There are the ads round the edge of cricket fields and football grounds, the show jumpers and racehorses with names that make them four-footed billboards. The camera lingered repeatedly on David Graham's hat: was it pure chance that it carried the legend "Manufacturer's Hanover."

A nation cannot exist half-slave, half-free, said Abraham Lincoln, and an international sporting system cannot exist half-amateur, and half-commercial. There was genuinely a lot to be said for amateur sport, but it is a long time since it was cremated and its ashes taken to the United States of America.

British sport—like British banking, insurance or communications—occupies a disproportionately large corner of a world professional sports industry which over the past 20 years has been dominated by the United States.

All this is familiar enough. What no one seems to have done is to draw the logical conclusion: a separate sports channel on television.

That would enable those of us who love to watch golf all day and snooker all night, with cricket highlights as a nightcap, to do so without interfering with the habits of those of our loved-ones who want to watch soap operas, or news, or the Open University.

It could not only pay for itself, in advertising and sponsorship.

It could generate some money to improve training facilities for British athletes, footballers, tennis players and snooker players. Any wise industry makes provision for training and research and development.

Incidentally, it would make a valuable contribution to the BBC's revenues, because the BBC sports department is so professional and so talented that the sports network would have to take much of its coverage from the BBC.

Wouldn't that be the best of all worlds?

And in the meantime, wasn't it a good idea of Channel Four's to give us the Tour de France?

Ballet Rambert/Battersea

Clement Crisp

Bruce Michelson, Mark Baldwin and Mary Evelyn in "Revolutionary Gestures"

Ballet Rambert is installed for a season in the Big Top in Battersea Park, sponsored by the Ford Motor Company, and it showed its newest creation by Richard Alston as the centre of an opening programme on Monday.

The title, *Dangerous Liaisons*, owes nothing to Choderlos de Laclos and everything to Simon Waters, whose electronic score provides name and ground-base for Alston's high-energy dances. The music is sharply, often harshly contrasted in sonorities; the choreography, using two trios of one man and two women, breaks and re-forms from an initial structure, its permutations seeming linked by the echoing and transfer of movement ideas, or by the fracturing of anticipated patterns.

It is very satisfying to watch, not merely on the obvious terms of its ingenious fragmentations and re-alignments of forces, but through the sure way that Alston controls the ebb and flow of activity.

The performers are discreetly dressed — lurex tights, faintly patterned with colour at waist and hip by Richard Smith, are worn over leotards—and their physical relationships are enhanced by Peter Mumford's lighting, outlining them boldly or shadowing them with mystery.

There may be emotional threads to be seized after further viewing, but like Alston's *Rainbow Ripples* which preceded it in the programme, *Liaisons* pleases by the way its forces are marshalled on stage in nonliteral fashion. The dancers—Catherine Becque, Siobhan Stanley, Ian Stewart, Lucy Bethune, Catherine Price, Robert Poole—do handsomely well.

Rainbow Ripples cast its usual unpredictable spell, strong dancing set against—and sometimes with—the canonic repetitions and overlaying of words, with the sudden prettinesses of xylophone and marimba tunes a final release of verbal and dynamic tension.

It looked good in its new home—whatever the indignities of the tent itself, its stage is generous in area—and it was given with entire assurance by its cast.

This first of three programmes begins with the garrulities of Dan Wagoner's *Revolutionary Gestures*, a caprice that seems longer than *Parsifal* but less comic, and ends with Christopher Bruce's *Ghost Dances*.

● Ballet Rambert's season got off to an auspicious start with the news that the company had raised more than £330,000 of its £500,000 appeal. The money is needed to finance the conversion of its new studios at 94, Chiswick High Road, and to create an endowment fund to finance new ballets for the repertoire.

The latest contributor has been American Express which has given £10,000 towards a new ballet for 1986, Ballet Rambert's Diamond Jubilee Year. A new production costs around £15,000.

I Promessi Sposi/La Scala, Milan

Freda Pitt

Alessandro Manzoni's great historical fresco, *I Promessi Sposi* (The Betrothed Couple) remain the Italian novel, and the one literary work apart from Dante's *Divina Commedia* that Italian schoolchildren are sure to encounter. Manzoni was born in Milan in 1785; bicentenary celebrations have been taking place all the year.

As the last ballet of the present season, La Scala is presenting, in the magnificent porticoed courtyard of the Ca Grande, a two-act version of the novel as a tribute to the author for whom Verdi wrote his Requiem Mass.

When choreographers have broached *Anna Karenina* and *A la recherche du temps perdu*—quite apart from all the Shakespeare pillaging — one could hardly claim that *I Promessi Sposi* should be treated as a sacred text. Nevertheless, it offers particular difficulties. What is most satisfying to a modern reader is less the story than the writing, above all the subtle irony with which the book is permeated without contradicting the profound religious faith expressed throughout.

Furthermore, the two much-tried peasants of the title are no village Romeo and Juliet. Lucia spends more time praying, blushing, shrinking and weeping than one could tolerate in a theatrical presentation, and her passion is strictly spiritual; her heroism lies in inaction. It is hardly surprising, therefore, that Oriella Dorella's interpretation has little in common with Manzoni's creation: she dances neatly, but with a fatal touch of flirtatiousness. The hero, Renzo (Francesco Sedeno) is a simple peasant, with an endearing impetuousness.

The basic problem is, however, even more serious. The score was composed much in advance by Roberto Hazon, who, with his wife, wrote a detailed libretto, thus tying the hands of any would-be choreographer — several are said to have refused the commission for that reason.

In the end, the choreography was entrusted to Mario Pistoni, who was born in Rome but worked for many years at La Scala, in the first place as Carla Fracci's partner in the early 1960s. Later, he made a number of ballets, of which *Francesca da Rimini* and *La Strada* (both one-acters with Fracci and himself in the principal roles) were much the best. His subsequent ballets often employed Luciana Savignano in the central role, and it is largely her presence that accounts for the notorious Nun of Monza being allotted a quite disproportionate role, mainly by means of a long flashback.

Savignano is La Scala's Bejart specialist, and his influence is too incongruously evident in the rather vulgarly erotic *pas de deux*, largely made up of acrobatic lifts and insistent use of the second position. When she appears in nun's habit and point shoes, we seem to be back in the world of Meyerbeer's *Robert the Devil*. Gertrude soon discards the former in favour of skimpier attire, but she disconcertingly retains the latter throughout. As her lover, Egidio, Angelo Moretto has little to do but throw her about.

In its unmemorable melodiousness and occasional soupiness, the music sounded more fitted for a film score than a ballet. It might have sounded less dead if it had been supplied by a visible orchestra instead of on tape, but there is no orchestra pit in the improvised theatre in the courtyard; and besides, La Scala — which had already sent the modern ballet programme across town to the Nazionale and the National Ballet of Canada down the road to the Lirico — was too busy with serious matters such as opera and concerts.

After the brief Milan run, the ballet will tour a few Italian festivals, at which orchestras are rarely available for dance.

Roger Sessions/Albert Hall

Dominic Gill

In this week's Listener, Andrew Porter describes Roger Sessions's requiem cantata *When Lilacs Last in the Dooryard Bloom'd* as "great music." I am reluctant to contradict a distinguished colleague who has heard the work so many more times than I; but after its European premiere at Monday's Prom, given by the BBC Symphony Orchestra and Chorus under John Pritchard, and after but one single hearing, my feeling was that Session's *Lilacs* is very dull music indeed.

What is there to commend it? The melodic invention is consistently clog-footed: melody without light or life or lyrical breath. The choral writing, which dominates the work, is exceptionally dull, melodically vapid, contrapuntally unremarkable, rhythmically stiff-jointed. The entire sense of the music contradicts the urgency and thrust of the Whitman poem it sets: there not a single spark in it, from the first bar to the last, to reflect, let alone to match, the searing passion of the words.

I tried throughout the performance to imagine a more passionate and robust direction than Pritchard's breathing life into the score: but could not perceive (as one often can) what particular elements might thus be transformed. The very unsensuousness of the music, and its profoundly undramatic course, seemed irredeemable. Most remarkable of all: that such huge resources (full symphony orchestra with chorus and soloists) could provide Whitman with an accompaniment and commentary so consistently monochrome.

And to commend it?—well, once, near the beginning, between the baritone's first solo and the first chorus, there was an orchestral swirl of unmistakable Mahlerian derivation, a sudden heightening of tension, which gave an early moment's pause for hope. But nothing remotely like it ever appeared again.

'Bless the Bride' revival in Exeter

To celebrate the 80th birthday of Vivian Ellis, the Northcott Theatre, Exeter is mounting a revival of *Bless the Bride*, which ran in London for 886 performances in 1947.

Based on A. P. Herbert's book, the show will open on Thursday.

Munich Festival

David Murray

Two Munich Festival revivals last week displayed favourite sopranos in the central roles, Edita Gruberova in Verdi's *La Traviata* and Lucia Popp in Strauss's *Arabella*. Though neither is quite at home in her part yet, the Munich audience was vociferously loyal—and their romantic partners offered only token competition. The respective conductors, and the stage father-figures, gave fuller measure, and the rich decorative detail of each production was up to the best Munich standards.

Miss Gruberova is the most brilliant Zerbinetta of our day, but her artfulness as that mega-soubrette—all lightning switches of tone and flashing suggestions—makes a patchwork Violetta, even schizoid. The Act One Gruberova is plainly a lady who has risen to the top of her profession by sheer force of character: she is no coquette, and her coloratura is diamond-hard. From there on we get a series of brusque contrasts not just of moods but of personalities, from sober devotion to hysterics to broken pathos, in several vocal styles. Her last scene is touching, but it is one more Violetta among many.

Neil Shikoff was at most one Alfredo: unvarying tone, hefty and oddly darkened, replete with Italianata sobs. He bawled "Bollenti Spiriti" over Carlos Kleiber's feather-light accompaniment while sketching curious crypto-Greek dance steps and gestures, and deservedly got himself entangled with the carpet. Wolfgang Brendel supplied much-needed ballast as Germont père; a bit young in looks, he was nonetheless a model of wary dignity and concern, with full-voiced warmth in the best German tradition.

Kleiber shaped the orchestral preludes with exquisite finesse, and got silken-stringed playing throughout. The first act was fast (with the offstage party-music too obviously on tape), but the last broke all speed records. Puzzling, but it rather suited Gruberova's mercurial turns. Jürgen Rose's square-cut sets are solidly beautiful and apt.

The *Arabella* designs are also Rose's work. Fine period detail—the inn for the Fiakerball is so peculiar that it must be authentic — with ceramic ovens everywhere, anxiously fed, to emphasise the wintry season. Alfred Kuhn capped his admirable *Lulu* roles with a hugely comic Count Waldner, stentorian but wonderfully precise of diction and pitch. Imagine Alistair Sim as an operatic basso: Kuhn ought to travel widely. His younger daughter Zdenka was the young American Julie Kaufmann, who compensated for a monocolour tone by quick intelligence and as good a teenage-boy masquerade as I can remember.

Her duet with sister Arabella was staged by Peter Beauvais as a pair of monologues on either side of a big table: dramatically right, I suppose, but frigid—and all too right for Lucia Popp's Arabella. I cannot believe that Arabella is a good top role, elegantly though she sings it (granted some constricted tone at the top). If the essence of social charm is the appearance of responding keenly to everybody else, Miss Popp is the last person to manage that: she is an artist who does nothing that has not been polished to the hilt beforehand, and it showed.

It was almost a solo concert-performance. Admittedly she was faced with an underpowered Mandryka (Bernd Weikl) without charisma, energy or allure; but it was significant that her best moment was a private attack of the vapours before meeting him formally. With so little dramatic life in the central story (and Peter Seiffert made an inert Matteo for Zdenka), we had to be content with Wolfgang Sawallisch's lively and idiomatic reading of the score. That was excellent—but the heart of the matter should have been visible on the stage, and it wasn't.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

July 19–July 25

Theatre

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland; Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (828 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

The Government Inspector (Olivier): Striking but unfunny revival with under-equipped TV comic Rik Mayall playing the poseur as a shrieking nose-picker. Richard Eyre's production for the NT lacks either comic tension or true delirium but, with John Gunter's imposing design of bureaucratic bumf, the show has a sort of monumental starkness as well as nightmarish tedium. New translation by Adrian Mitchell. (928 2252).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable merry-go-round of a musical. (834 1317, credit cards 828 4735).

Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington a more earth bound George Moore than was Michael Hordern. Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 6404, credit cards 379 6233).

Richard III (Barbican): Last year's Stratford-upon-Avon production with Antony Sher demonically exciting as Richard in the RSC revival by Bill Alexander. Plays in repertory with Roger Rees as Hamlet and Kenneth Branagh as Henry V. All worth seeing. (628 8795, credit cards 638 8891).

Pravda (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (928 2252).

Waste (Lyric): Deserved transfer to Shaftesbury Avenue for the RSC's fine Harley Granville play about a politician ruined by sex scandal. Daniel Massey and Judi Dench head John Barton's production. (437 3686).

Breaking the Silence (Mermaid): Another RSC transfer, of Stephen Poliakoff's account of his family's emigration from post-Revolutionary Russia. Alan Howard succeeding Daniel Massey alongside Jenny Agutter. Ingeniously set in an Imperial railway carriage. (236 5568).

The Mysteries (Lyceum): The theatre of Henry Irving and Joe Loss restored for theatrical performance after 40 years. Bill Bryden's NT production in three parts is not to be missed, one of the great events of recent years. All three shows played on Saturdays for this limited run. (379 3055).

Guys and Dolls (Prince of Wales): The 1982 National Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Clarke Peters. Richard Eyre's production and John Gunter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (930 8681).

NETHERLANDS

Amsterdam Stadsschouwburg. The English-Speaking Theatre of Amsterdam with G.A. Bredero's Spanish Brabanter in the translation by H. David Brumble III. Directed by John Hartnett, with guest actor Jules Croiset as Jerolimo and Craig Eubanks as his servant. An effervescent comedy by the great 17th-century Dutch dramatist (Mon to Thur). 24 23 11).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, à la Supremes, without the quality of their music. (239 6200).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's touching and funny recollections as a drag queen add up to the best histrionic Sarah Bernhardt role on Broadway today. (944 9450).

WASHINGTON

Count of Monte Cristo (Eisenhower): The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 3670).

TOKYO

Man of La Mancha (The Japanese version). Directed by Takao Nakamura, starring Koshiro Matsumoto. Performances also on Sundays. Imperial Theatre, near Imperial Hotel, Hibiya. (213 7221).

Saleroom/Antony Thorncroft

Learned bawdiness

Sotheby's most important auction of English literature and history for many years comfortably exceeded its £1m target, totalling £1,461,526 with a reasonable 8.27 per cent unsold. The best price yesterday was the £187,000 which secured the Townley papers, over 1,000 letters from some of the most fascinating personalities of the 18th century. The buyer remained anonymous.

Charles Townley was a great antiquarian: his collection formed the basis of the British Museum. His correspondence is learned, facetious and bawdy, and contains letters from Piranesi, John Cleland (author of Fanny Hill), Charles James Fox, John Nash, Sir Joshua Reynolds, and many more. The main topics of discussion were art and sex.

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Perhaps of more popular interest is John Peel's hunting horn. It was bought by the New York dealer John Fleming for £5,500: in 1951 Sotheby's had sold it for £600.

A copy of the Declaration of Breda, King Charles II's promises to the people on his restoration to the throne in 1660, sold for £93,500. This was the actual copy that Samuel Pepys read out to the Fleet, to great acclaim, as he records in his diary. It was sent for sale yesterday by descendents of Pepys's patron, Lord Sandwich.

A study by Piranesi of the Warwick Vase, drawn as a heading of a letter that he sent to Charles Townley in 1772, was bought by Quaritch for £35,200. This major drawing had hitherto remained unknown. The papers of the Portuguese ambassador to England between 1657-1665, the most substantial archive of diplomatic papers to appear at auction in recent years, sold for £33,000.

Six poignant letters by Mrs Fitzherbert to her husband the Prince Regent, accusing him of neglect, virtually the only letters between them to survive, more than doubled their estimate at £13,200, while another lot to double its top forecast was an album of 37 studio photographs of Hollywood stars of 1928.

The same family later supported the travel of Captain Cook and sold yesterday papers relating to a dispute over Cook's second voyage: they went for £38,500 to Brooke-Hitching, the London dealer. Another London dealer, Quaritch, paid £55,000 for a copper plate plan of part of the City of London, dated to the 1550s: it is one of only two known copper-plates surviving from an otherwise lost oldest known plan of London.

A surprise was the price of £57,200, as against a top estimate of £20,000, paid for two watercolours showing the Townley collection of antiquities in situ in his home in Park Street, Westminster.

FINANCIAL TIMES

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BT and its suppliers

THE British Government's objectives in telecommunications have been to increase competition, to widen consumer choice and, by privatising British Telecom, to make the dominant network operator subject as far as possible to the disciplines of the market. One consequence of these changes, it was assumed, would be to strengthen the competitive ability of the telecommunications equipment industry and so help it win a larger share of the world market. This assumption is questioned by BT's traditional suppliers, GEC and Plessey, which argue that two of BT's recent moves risk inflicting serious damage on the domestic industry.

One of these is the proposed takeover of Mitel, the Canadian company which is a competitor to GEC and Plessey in the manufacture of private automatic branch exchanges (PABXs); this deal, much to the amazement of BT, has been referred to the Monopolies Commission.

The other is the purchase from Thorn-Ericsson of a second range of Swedish-designed digital telephone exchanges, known as System Y, to be installed alongside System X, jointly developed by BT and its suppliers and now being supplied in increasing quantities by GEC and Plessey. The System Y decision has been investigated by BT's regulatory body, the Office of Telecommunications (Oftel); its report was published yesterday. While the report concludes that BT's decision "reflected normal commercial prudence," it raises some questions about the future of the industry which will need to be carefully considered by the Government, BT and the manufacturers.

Oftel's principal duties are to promote competition and the interests of consumers; in this contest it is hardy likely to oppose an attempt by BT to put pressure on its suppliers by introducing a competing range of exchanges. But Oftel has other responsibilities; it must ensure that BT does not use its buying power to distort competitive conditions and it must pay regard to efficiency in the domestic industry, including its ability to finance research and development. Thus the health of GEC and Plessey is a matter of concern to Oftel.

BT wants System Y partly as a spur to its traditional suppliers, partly because it has doubts about the timing of the completion of the System X programme; facing competition from Mercury, it wants to instal the latest equipment as quickly as possible. Oftel accepts the commercial logic of BT's position, though it notes that delays to System X have been due as much to BT as to its suppliers. But it also recognises the difficulties faced by GEC and Plessey in the transition "from a situation in which they had a special relationship with BT to one in which the relationship is more at arm's length."

If System Y took too large a share of the market, GEC and Plessey would lose economies of scale and their costs would rise. Oftel notes that the initial order for System Y is just enough to allow Thorn-Ericsson to operate a factory at a reasonable scale. It suggests that any further shift of orders to System Y should be limited to nominal amounts for a period of about three years, so that the System manufacturers have a further opportunity to adapt to the new situation. The argument is that the loss of 20 per cen of annual orders to System Y makes the job of the System X suppliers harder but not impossible the loss of another 20 per cent in the very near future would be more damaging.

Research

GEC and Plessey resent the fact that the UK has opened its market to imports without gaining reciprocal arrangements in other countries. System X may be "a world beater" as Oftel believes, but its access to international markets is severely limited. The report recommends further efforts to liberalise trade in telecommunications, as well as more support for exports. But even if access to world markets was improved, the British industry may not be organised in the right way to take advantage of it. Oftel argues that collaboration between UK companies and overseas suppliers may be necessary. It also suggests the creation of a UK research organisation, financed by companies in the industry, to "maintain a competence in modern switching technology."

The most awkward structural problem remains the relationship between BT and its two main suppliers. Should BT pursue its global ambitions (as reflected, for instance, in the Mitel deal), without much regard to the consequences for GEC and Plessey? Should there be closer links between the three companies, perhaps even a pooling of technical and marketing efforts, to launch a stronger attack on world markets? The harder commercial approach from BT is thoroughly welcome; no one would suggest a return to the old days of protection and cartel. But there are grounds for doubting whether the present structure of the industry makes the best use of the available resources.

Redirecting EEC farm policy

NOW THAT the pitiful saga of this year's EEC farm price negotiations is temporarily on ice, the European Commission is trying to concentrate ministerial minds on a much-needed strategic debate about agriculture. Last week, it set the ball rolling with a Green Paper detailing policy options. Its clear message is that the Community's need to think beyond the short term in farm policy is greater than ever.

Agricultural spending will effectively bankrupt the Community next year by breaching the new 1.4 per cent VAT ceiling if it continues to rise at the pace of the last 10 years. The need, therefore, is to contain the costs of the CAP while ensuring that farm support is focussed on those that will really need it. The possibility of a crash in the dollar — of crucial importance to the CAP as the currency in which most agricultural commodities are internationally traded — and the additional pressures which the entry of Spain and Portugal will bring to bear only make this more urgent.

The Green Paper marks no revolution. It reminds readers that the CAP is "the cornerstone of European construction"—which is true, if only because the edifice has few other effective elements as yet. Its insistence on market-oriented pricing as the basic policy mechanism has been a feature of innumerable Commission proposals down the years, which have been just as frequently ignored by all-powerful farm ministers.

Milk quotas

The arguments in favour of price cuts are economically unassailable. Reduced prices would boost demand for Community produce, enable European farmers to compete more effectively and at lower budgetary cost on the world market, and if pursued over time, cause a drop in prouction. The alternatives all have serious disadvantages. The option most frequently mentione is to introduce restrictions on output, like milk quotas. These rarely solve surplus problems, tend to fossilise inefficient production, cause an unacceptable proliferation of bureaucracy and are often used as an excuse for raising prices.

What is new about the Green Paper is the starkness with which even its watered-down final version presents the problems.

The crux of the argument is this: while the CAP has had some success in its economic objective of boosting production and modernising farms, it has failed in its parallel social aim of assuring a fair standard of living for the bulk of the agricultural population and keeping people on the land.

The Green Paper makes clear that this pressure is certain to continue if its preferred option of a restrictive long-term approach to prices is pursued. Many of the large-scale cereal farmers could probably survive substantial reductions in price which would cause great difficulties for medium-sized farmers with no alternative source of income. Clearly, therefore, those governments which like to emphasise the CAP's social pretensions, such as West Germany, will not even contemplate a rigorous price policy unless they are offered some sort of trade-off.

Merits

The Commission's answer is to resurrect the idea of direct income aids—possibly in the form of extra assistance with structural change, early retirement or targeted social payments—for farmers liable to feel a special pinch from large long-term price cuts.

This has considerable political merits, for all the farm lobby's objections to being seen as a recipient of welfare handouts. With France now publicly arguing for price restraint along with Britain, it may be open to serious examination this autumn when farm ministers formally begin their long-term cereals policy review

EUROPE'S GLASS INDUSTRY

A new sense of discipline

By Ian Rodger

EUROPE'S flat glass industry was dominated until quite recently by two large French companies and Britain's Pilkington Brothers. They co-existed for many years by avoiding competing in each other's territories.

But in 1979, one of the French companies, BSN-Gervais Danone, decided to sell out and, by early 1982, there were three new competitors on the scene, two American and one Japanese.

A brutal price war followed, with the new companies trying to show the Europeans what real competition was all about, and the established ones trying equally hard not to give ground.

Today, all of Europe's glassmakers, the new as well as the old, rather sheepishly admit that they have made a real hash of it. Demand for flat glass, which is used mainly in the building and automotive industries, has risen a brisk 10 per cent since 1982 and most plants are working at capacity. But prices have fallen by 17 per cent and most of the companies have lost huge amounts of money.

M Philippe Bodson, managing director of Glaverbel of Belgium, says: "It is scandalous that we have had a strong market and falling prices. We are all guilty."

Moreover, the battle for market share seems to have been in vain. "It is all very well fighting for market share, but no one's position has changed," observes Mr Antony Pilkington, chairman of the British group.

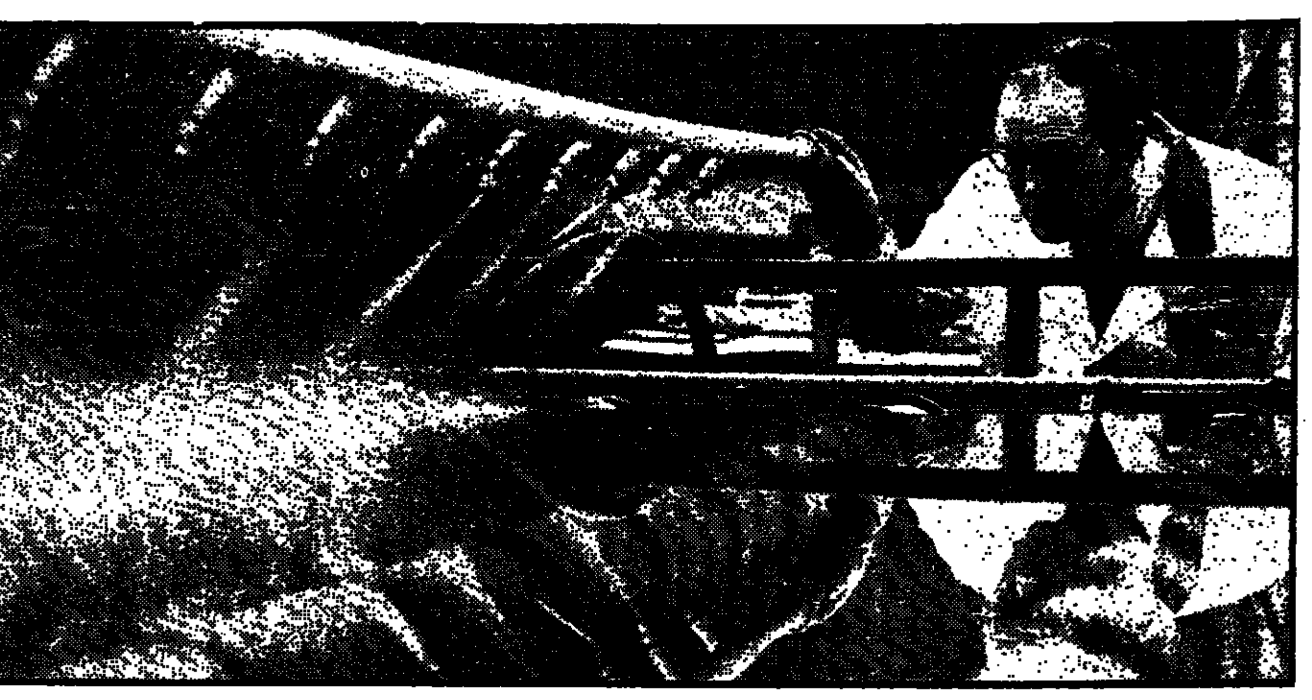
Pilkington has often been accused of being slow to respond to price pressures, but Mr Pilkington looks at it differently. "I would like to think we are more mature than our competitors. They allow their salesmen far too much latitude, considering the weight of assets behind them."

That view seems to be gaining support this year. Industry leaders have had some success in pushing up prices. As Mr George Crossett, vice-president, primary glass of PPG Industries of the U.S., puts it: "After a while, people get sick of losing money," Boussois, the former French subsidiary of BSN which PPG bought in 1982, lost FFr 90m last year.

But European prices are still far below those prevailing in the U.S. and Japan, and producers worry that a fresh round of instability could develop if reports of another new competitor joining the scene proves accurate.

Opinions are divided on how and why things went so terribly wrong in the early 1980s. But no one doubts that it all started in 1979 when BSN decided to get out of the flat glass industry altogether. In addition to Boussois in France, BSN also owned Glaverbel in Belgium and Flachglas in West Germany.

Initially, Pilkington tried to buy all of them, but Germany's cartel office objected on the grounds that this would create excessive concentration in the industry. Pilkington eventually agreed to acquire Flachglas only.



Float glass passes under water sprays in a Pilkington plant at St Helens, Merseyside

As the industry was then in recession, some executives hoped that the other two might just disappear. But PPG, which already had a small glass business in Italy, decided to pick up Boussois and Asahi Glass of Japan bought Glaverbel.

The PPG move was not too surprising, but the established producers shuddered at the thought of a Japanese beachhead. Asahi, it was said, was following behind the Japanese car industry. It would soon help Glaverbel, which had never been strong in automotive glass, to displace the other Europeans as suppliers to the Japanese car makers in Europe.

Meanwhile, to the consternation of all the existing producers, Guardian Industries of the U.S. was building a big greenfield plant in Luxembourg. Guardian is the upstart in the venerable flat glass industry, having entered only 15 years ago when it tired of buying glass from others for its growing fabrication business in Detroit.

Guardian's oportunity was presented by Pilkington's invention in the 1950s of the float process, which automated flat glass production. When established producers adopted the float process, they had to struggle with a very high level of redundancies in their old sheet glass plants.

Guardian, on the other hand, started from scratch with low manning and minimal overheads. Even today, according to Mr Crossett, Guardian is the only producer that can make money at existing European prices.

In any event, the arrival of both Guardian and Asahi in 1982 caused the established producers considerable distress. M Roger Fauroux, chirman of St-Gobain, the industry leader with more than a one-third share of European markets, talked of an "invasion" from the U.S. and Japan and made clear that the French company would defend its market share, *whatever the cost*.

Guardian and Asahi both had reputations as efficient producers and aggressive price cutters. But they have turned out to be among the least disruptive elements in the industry in the past few years. The main culprits, it is generally agreed, have been St-Gobain and Boussois.

CHANGE AND EXPANSION IN EUROPE'S GLASS INDUSTRY

	Number of float lines 1980	Number of float lines 1985	Capacity (tons per day) 1980	Capacity (tons per day) 1985
Saint-Gobain (France)	11.5	11.5	5,500	6,200
Pilkington (UK)	4	8	1,750	4,750
PPG (U.S.)	1	4	500	2,050
Asahi Glass (Japan)	nil	3	nil	1,800
SIV (Italy)	1.5	1.5	700	770
Guardian (U.S.)*	nil	1	nil	500
BSN (France)	7	nil	4,150	nil
Total	25	29	12,600	16,070

* Guardian's Spanish subsidiary, Vidrierias de Llolio, will open a new 450 ton/day float plant later this year.
Source: La Compagnie de Saint-Gobain.

Mr Pilkington says that until recently Boussois's prices were 30 per cent below those of the British company, and far below any sensible level. Mr Crossett of PPG admits there is some truth in the charge. "That acquisition has not worked out as well as we thought. We underestimated the time and difficulty of cutting costs and we underestimated the extent of price cutting in the market."

It seems also that PPG had trouble imposing its will on the proud French company but in the past few months a new managing director has been sent over from Pittsburgh. "It was time for someone with a strong commercial background to get in there," Mr Crossett says.

However, he insists that Boussois, which has a less than *10 per cent share of the* European market, was not the instigator of the price war. "We came in and reacted to the St-Gobain price. They were trying to protect their market share from what they saw as intruders."

St-Gobain too has implicitly admitted a share of the responsibility, having appointed a new managing director for its flat glass division three months ago.

The effects of all the fighting are prety meagre. Guardian has captured roughly 5 per cent of the European market. It operates mainly in the large West German market and most of its gains have probably come at the expense of St-Gobian and Pilkington subsidiaries.

At first glance, it looks as if Pilkington has suffered the most, its market share in the UK having tumbled from 80 per cent to around 50 per cent in the past five years. And its UK losses between 1980 and 1984 totalled £85m.

But Mr Pilkington says the fall in the group's UK market share, mainly to Boussois, St-Gobain and Glaverbel, have been offset by increases in exports to France, Belgium and West Germany.

Glaverbel's share has remained fairly steady at about 10 per cent, and there is no evidence that Asahi has been pushing the group in one direction or another. Glaverbel is putting more effort into the automotive glass market, but Mr Bodson insists that this policy, and the accompanying investment in new plant, was under way before Asahi arrived.

The acquisition, according to Mr Kinhisa Mushakoji, a senior Asahi executive, was part of the group's strategy to remain a world force in the glass industry.

It was also in some ways a sentimental one: Asahi had bought Glaverbel's sheet glass technology in the 1930s and the contacts remained strong until the acquisition.

Whatever the motive, the acquisition has worked out better than most observers expected. BSN poured BFr 3.3bn into restructuring Glaverbel in the late 1970s, and the company has made profits ever since Asahi took over.

Now that prices are improving slightly, none of the producers want to go back to the chaos of the past three years. However, they also recognise that there is no way of re-establishing the cosy arrangements of the past.

"We will not participate in a cartel," Mr Crossett of PPG says, and many others share this attitude. Nor is it likely that any of the existing producers will give up and sell out.

At this point, the normal European response would be to run to their governments or the European Commission and ask that a mechanism be set up to control production and prices, as has happened, for example, in the steel industry. But the glassmakers, to their credit, embarked on a more independent course.

They thought that if every producer was supplied with price information on aggregate supply and demand in the European market, they might make rational decisions about their own production and marketing practices. So they mobilised their industry association, the Groupement Européen des Producteurs de Verre Plat (GEPVP), to collect the relevant statistics from everyone and publish them in aggregated form.

The first report has just been compiled and it shows just how out of line the producers' market behaviour has been. EEC consumption of flat glass last year reached a record 3.5m tonnes, 10 per cent higher than in 1982 and 17 per cent higher than in 1981. Moreover, the industry was operating at an average 96 per cent of capacity.

That operating rate would seem to suggest that new capacity will soon be needed. In fact, however, it is based on only those plants that were operating last year. Two St-Gobain plants, representing about 5 per cent of EEC capacity, were idle for furnace relining.

And small incremental additions to capacity continue to be made as producers build float plants to replace their sheet glass plants.

Also, no one believes that the market will continue to grow as fast as it has in the past three years. The building industry is depressed and European car makers are having a hard time maintaining their market shares. M. Bodson expects overall demand in Europe to be flat this year.

So the concern about a new "intruder" in the industry is a real one. Norway has been trying to entice someone to build a float glass plant with offers of cheap energy and other subsidies.

The existing producers have taken their new figures to the European Commission and argued that any such new project should be resisted. "We do not believe that subsidies should be given for any additions to capacity," as M Bodson puts it.

It remains to be seen whether the European glassmakers' new sense of discipline and competitiveness will be maintained. Even though they all want to raise prices, there is growing resistance in the market.

"If you look at the state of the European building and automotive industries, you can see that they are going to need low-cost glass for the foreseeable future," says M Daniel Melin, the new chief executive of St-Gobain's flat glass division. "And if they cannot get it here, they will go elsewhere."

Men and Matters

Whitehall's loss . . . .

While MPs argue angrily over the top people's pay awards, the mandadrain continues — this time to much displeasure among ministers at the Department of Environment.

Tony Mayer, who heads the department's rates reform team, is to join Rothschild's bank. Lord Rothschild is an adviser to the team and is alleged to have "poached" him.

Mayer, currently earning some £25,500 a year as an assistant secretary, will join Rothschild for a salary understood to be more than £45,000. He will work on the bank's personnel side.

The Government's green/white paper on rates reform is due to be published in the autumn and Mayer will "see the work through" before departing for the City.

Mayer, aged 39, has been in Whitehall since leaving Oxford, and is precisely the kind of younger, *able official* that civil service managers are worried about losing.

He was one rung too far down the ladder to benefit from the controversial top people's pay awards. This year he had to make do with 4.9 per cent. Promotion might not come for two to five years.

Mayer insists that he is merely going to Rothschild on a two-year secondment. He stresses that his only motivation is "to do something completely different for a while and see what life is like outside."

He dismisses all the talk of poaching as "nonsense." But reliable sources say that is how ministers regard Rothschild's offer, and that the idea of secondment was only raised later in the hope of retaining Mayer.

But one official who made a similarly lucrative move out of Whitehall last year reckons Environment managers are being over-optimistic. "Go back —to a £15,000 salary cut?" he inquired. "Nobody in their right mind does that."

The pay awards were designed to improve civil service morale, enhance Whitehall's prestige, and discourage people like Mayer frmo leaving. But it seems 76 per cent in the hand is worth more than 46 per cent at the distant top of the tree.

. . . and gains

Sir John Stanier, who lists his recreations in Who's Who as "hunting, fishing, sailing, talking" has just been promoted to Field Marshal—even though he is due to retire from the army at the end of this month.

With so little time to enjoy his five-star promotion, what real difference will having a baton make to him?

Answer—an increase of some £14,000 in his annual pension pension from next March.

Sir John will be among the first to benefit from a happy combination of well-established promotion practices at the Ministry of Defence plus a 46.3 per cent pay rise from the top people's review body.

The MoD explained yesterday that for many years only the Chief of the Defence Staff has been given the top rank of his particular service. The other chiefs have had to be content with being mere Admirals, Generals and Air Chief Marshals.

But the deal is that they are upgraded to five stars on the eve of retirement to boost pensions and prestige.

There is another twist to the tale. These old soldiers may fade into their rose gardens but they stay on the "active list" and get pay rises in line with serving officers.

Last month, Sir John was earning £45,500 as a General. Promotion and the new pay award now put him on £63,125. Next March, the rate will rise to £75,000 — and Sir John can look forward to a pension then of 48.5 per cent of that, £36,375 instead of the £22,000 in prospect just a week or so ago.

Where there's money, there's top brass.

"and for goodness sake try to keep within Spanish territorial waters, Alf"

Highly visible

Morgan Stanley, the New York investment bank, was being typically discreet yesterday about its latest recruit, "Van" Galbraith, aged 57, the outgoing U.S. ambassador to France, who has been hired as a senior adviser and director of Morgan Stanley International.

The firm seems unusually vague about what he will do and how much time he will spend doing it. Perhaps that is because Morgan Stanley realises it has just bagged one of the more controversial persons ever to straddle the financial and diplomatic communities.

Galbraith's financial career started at Morgan Guaranty, Morgan Stanley's opposite number in the commercial banking world, first in New York and later in Paris.

In 1969 he took over as managing director of Bankers Trust International, the London merchant banking arm of The New York Bank, and suddenly became much more visible.

He ran his bank at full speed ahead during the international banking boom of the early 1970s and when problems began to surface BTI was seen to have more than its fair share.

In 1981 he was made U.S. ambassador to Paris. Since then he is best known for an interview he gave earlier this year where he said the U.S. foreign service was full of "liberals" and that career U.S. diplomats lacked "guts."

U.S. Secretary of State George Shultz later publicly criticised his outspoken ambassador.

On screen

Verity Lambert, the first producer of Dr Who, may be giving up her job as director of production at Thorn EMI Screen Entertainment. But *she* is not going to sever links with Thorn completely.

Lambert is part of Thorn EMI plans now taking shape to set up a consortium of independent British film producers.

Apart from confirming that Lambert will be one of the independents involved, Thorn is keeping quiet on the details until early next week. Film industry rumour has it that Lord Brabourne, producer of *A Passage to India*, Ewen Lloyd, producer of *Wild Geese II* and Jeremy Thomas, producer of *Insignificance*, the British Cannes film entry might be interested.

Thorn EMI not only has the distribution channels but also the money in the form of a $150m rolling facility put together by 12 merchant banks.

Hide and speak

A man called at the U.S. embassy in Prague. "I'm a banker being persecuted for his liberal-political stand."

"Can you cache a small Czech?"

Observer

CHONGQING

Leighton Morris

A city waiting for the fog to lift

By David Dodwell, recently in Chongqing

CHONGQING COULD be one of the world's great industrial cities and may indeed become one.

Now, however, it is a dilapidated monument to the economic upheavals of Communist China's 35-year history, and an *example of the formidable* tasks facing Deng Xiaoping as he tries by means of pragmatic economic policies to revive a moribund economy.

At the eastern extreme of Sichuan, China's most populous and one of its most resource-rich provinces, Chongqing perches dramatically above the point where the grey waters of the Jialing river flow into the rich-red Yangtze before it rushes through the mountain gorges that for the greater part of history have separated Sichuan from the rest of China and the rest of the world.

It has an uncompromisingly awful climate—a furnace in summer and swathed in eerie fogs for most of the rest of the year.

The city, and Sichuan Province around it, epitomise China's great strengths, its rich agricultural base and wealth of *Natural resources — and at the* same time its weaknesses, a stubborn independence from central control, poor communications, and an archaic industrial base.

It appears to harbour many officials and party cadres who are more committed to defending vested interests than to modernisation under Deng Xiaoping's policy of "opening up to the outside world."

Deng's policies are likely to stand or fall in a city such as this, not least because it has played a special part in his life.

Deng now in his 80s, was born some miles north of it, in Guangan County. In the heady years immediately after 1949, when the new Communist leadership and a large proportion of the country's population were imbued with an immense optimism for the future, Deng was in command of the South West Bureau, headquartered in Chongqing.

Not surprisingly therefore, it has been a testbed for his economic reform policies. Before being introduced nationwide, price, wage and tax reforms have all been floated experimentally in Chongqing. So too have new marketing and distribution systems.

Since February 1983, it has had provincial powers in economic matters, and has been expanded by administrative fiat to become China's largest city, with 13.9m people. It can conduct foreign trade and solicit foreign investment but nevertheless has made tortuously slow progress.

So slow, that Peking recently appointed a new First Party Secretary, and only last month brought in a new mayor from the national capital, a man with impeccable "Dengist" credentials, in what appears to be a bid to cut a swathe through the thickets of bureaucracy and political resistance.

Commercially and politically, Chongqing dominates Sichuan, which in turn dominates the west of China, and one fifth of the country's 1bn people. This was recognised in 1895, when the imperial powers forced the Empress Dowager to open the city to international trade as China's most inland treaty port.

Chiang Kai-Shek's nationalist government also appreciated its strengths—not least the protection from air raids that the fog provided—when it was forced to retreat from Nanking before the invading Japanese Army in 1938. Chongqing served as the Nationalist government's capital until 1946.

This period was a critical one in the city's industrial development. Rather than leave Shanghai's factories at the disposal of the invading Japanese, Chiang Kai-Shek ordered them to be dismantled and hauled up the Yangtze on barges. This massive human effort gave Chongqing a modern and ready-made industrial base. At the end of the war, most of the Shanghainese industrialists left, but many of their factories *stayed behind.*

A second major impetus in the years after Communist victory in 1949 was the designation of Chongqing as a "hird line" city for the development of defence industries, well inland and a safe distance from the Soviet border in the north, or those of India and Vietnam in the south.

Today, Chongqing's 200 or so factories producing defence equipment — everything from arms, tanks and warships to telecommunications equipment and titanium for the military—account for 20 per cent of the city's 1.6m jobs, and the great majority of its modern *technology.*

It is on this industrial base that Deng Xiaoping intends to build. Defence manufacturers have been pressed to diversify into manufacture for the civilian market—both to improve the supply of consumer goods in the local market, and to help adjustment after a politically-determined cut in arms production.

The China Jialing Machine Factory, once exclusively a small-arms manufacturer, now makes 300,000 motorcycles a year in a lucrative joint venture with Honda of Japan. The Changan machinery plant, also an arms manufacturer, is now producing a small truck in collaboration with Suzuki.

But these breakthroughs provide exceptions to an otherwise depressing rule: Chongqing's industrial base—the fifth-largest in China—is seriously out of date. Officials in Chongqing's economic commission say that 53 per cent of the machinery now in use was installed more than 20 years ago, and was old technology even then. Plans to renovate the city's industry by the year 1990 involve budgets of Yuan 700m a year for the rest *of the decade.*

This would be a formidable task even in the best of circumstances; given the evidence of bureaucratic mediocrity and considerable factional division inside the city government over the direction of economic policy, it might even be fanciful.

Chongqing was a hotbed of Leftism during the Cultural Revolution—so much so that Jiang Qing, the leading figure in the now-reviled "Gang of Four," congratulated the local radicals as "champions" of the Leftist cause, and an example for the rest of the nation.

The factional differences remaining from this period, and *the large number of bureaucrats* who owe their position to appointments made during that period, have persuaded Peking to impose its own candidate as mayor, Mr Xiao Yang, who has recently played a major part in formulating China's joint venture law, is an optical engineer by training. He has spent most of his career either in prison—dubbed a revisionist and capitalist roader—or running the Peking General Glass Factory. To transform Chongqing into a modern and efficient industrial city is likely to be his most formidable challenge yet.

He has begun modestly—first with a city clean-up campaign, and then with plans for an exhibition in September to provide impetus to plans to attract foreign trade and investment. He has also begun to pull Chongqing's lumbering bureaucracy into shape. He has abolished more than 70 departments, merged others, and says the process is far from finished.

Among his immediate aims, he hopes to attract $300m in foreign investments this year. He has laid plans to renovate *the city's water and sewerage* systems in collaboration with France's Compagnie Generale des Eaux, and is working with companies from Belgium and Italy on new telephone exchanges.

An international airport is under discussion, as are plans for electrification of railways and improvement of river shipping—critical for an inland province if it is serous about boosting international trade. He plans by 1990 to have boosted exports to 10 per cent of Chongqing's industrial and agricultural output. In 1984, exports amounted to $63m, a bare 4 per cent of output. He has recruited Japanese professionals into the municipal government to help push his plans through.

While the problems facing Mayor Xiao are daunting, there can be no doubting the immense potential of the city if he *succeeds in igniting* its energies. Sichuan, its immediate hinterland, would if independent be the world's eighth-largest nation. It is the birthplace of tea-making and of silk.

Even today it is China's main supplier of grain, and of many fruits. It boasts supplies of some of the world's rarest minerals, as well as coal and natural gas.

In so many ways a microcosm *of the problems* and potentials of China, what Chongqing needs is a vital spark. But in this inward-looking fog-bound region, it may prove to be a damp squib.

UK economy

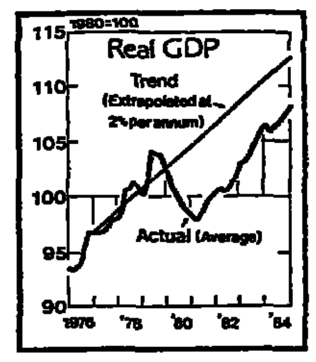
Time to replace austerity with careful expansion

By Rudiger Dornbusch

THE CURRENT SHIFT in popular opinion away from austerity towards jobs, provides an important opportunity for a change of strategy towards controlled expansion. This is critically necessary, for the key fact about Britain is that the decline in economic activity in 1980-81 has yet to be made up.

The chart shows actual GDP and an estimate of potential output arrived at by assuming that 1977 represented a year where resources in the economy were fully utilised, and that potential output grows at 2 per cent per year. These are, I believe, conservative estimates.

The diagram makes it obvious that following the 1980-1981 recession output has in fact been growing at somewhat above trend growth, but not nearly enough to make up the initial losses.



As a result even today, four years into the recovery, there remains a gap of at least 6 per cent of GDP between potential and actual output. Failure to make up that gap explains the huge level of unemployment in the economy.

The second chart shows the counterpart of the output gap, the level of employment. It is true that employment has grown strongly in the past two years, but of course we are nowhere near the edge of the hole into which employment was thrown in the decline of activity in 1980-81.

This catch-up can only be engineered by sound macro-economic policies. A responsible and controlled expansion would be unlikely to produce a wage explosion — provided the exchange rate was kept firmly under control. Exchange depreciation quickly and sizeably finds its way into prices and into wages. In these circumstances an indispensable part of policy is a commitment to a fixed exchange rate.

Practically, I would advocate a fixed rate on the EMS. British rates of cost and price inflation are little different from the EMS average, and hence this rule does not imply any trend loss in competitiveness as a cost of nailing the inflation objective.

The fixed exchange rate would be defended by monetary policy, meaning whatever interest rates it takes to have the capital flows that finance the current account deterioration implied by an expansion.

If the exchange rate commitment is clear and firm, the required interest rates need not exceed sizeably those in Europe, the less so the more fiercely the exchange rate target is represented as one of the two pillars of expansion.

The other pillar of expansion is a sharp fiscal expansion that draws the lessons of the U.S. experience. The first lesson is to expand *strongly* to restore high employment and private sector profitability. The other is not to make the mistake of an open-ended tax cut that leaves behind vast deficits.

The exchange rate target places important constraints on fiscal policy. Fiscal incentives to investment must offset the impact of possible higher interest rates on investment profitability. Here the U.S. experience shows that one can produce a boom in investment considerably above average for recoveries in the post-war period, even in a setting of highly expansionary fiscal policy and tight money.

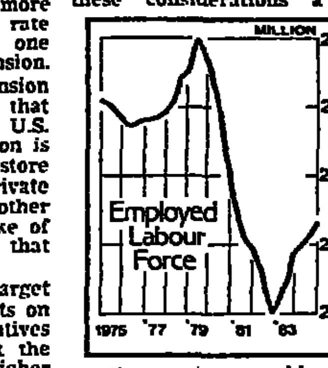
The recipe is to let investment share significantly in the fiscal expansion. That participation is critical, because strong investment is necessary to sustain the medium-term growth potential of the economy and to wipe out bottlenecks before they become a source of inflation and hence an obstacle to a growth strategy.

One must also decide how much emphasis to place on direct job creation programmes versus putting money in private sector pockets to spend, or into local authority pockets to invest in infrastructure. Three considerations are important: the first is that direct employment programmes are vastly superior, per pound spent, in creating jobs than are personal tax cuts.

Therefore, from a strict employment point of view, that would be the best way to allocate the expansion.

Second, there is no better time to invest than a period of high unemployment. Even the most conservative person will concede that there should be sewers, that they use them, and like them, considering the alternatives. Finally personal tax cuts or elimination of social security taxes on additions to the payroll have the advantage that they place resources where consumer sovereignty wants them most.

In striking a balance between these considerations a good starting point would be to allocate one quarter to each of: public sector investment, direct employment programmes, personal tax cuts and investment incentives.



How much to spend? Too little of an expansion would get lost like water in the sand, *failing to draw significant* complementary private spending increases; too much would be unwise. Say, 1.5 per cent of GDP for a year and another 1.5 at most in a second year would be about right, provided there was a firm programme to work down the deficit thereafter in an automatic predetermined manner, so as to assure confidence in the capital markets.

The author is Ford International Professor of Economics at the Massachusetts Institute of Technology.

This article is based on the first lecture under the auspices of the Employment Institute, available from P.O. Box 474, London NW3 4SZ.

Pay cuts for UK youth

From the chairperson, British Youth Council.

Sir,—Your editorial (July 18) treats almost dismissively the effect of the Government's removal of wages councils from young people under 21. In one sense, you are right. The effect on unemployment will be small. But, for the ½m young people facing pay cuts next year, the effect will be enormous.

The Department of Employment discussion paper did maintain there was a link between wages councils and jobs, and it has been so stated often by Mr Tom King and others. But both have been reticent in providing much evidence of the supposed link. In May the department released a Cambridge University report from its Applied Economics department recognising such links as, at best, tenuous.

The reality is that the Government wants to appease everybody — and feels that young people will be in the weakest position to complain. However, no actual evidence is provided showing any serious *economic* rationale behind what is essentially a face-saving exercise.

If youth wages are cut, employers will naturally want more young people to work. But that can only happen if *they replace* those adult workers whose wages they cannot cut. So false new jobs will be created on a short-term basis for young people, at the expense of those over 21. Those young people will themselves be *replaced* after four or five years.

Many employers do not abuse young workers. But some already pay below wages councils minima to desperate young people. This last group will see Mr King's announcement as a vindication of their refusal to provide young employees with reasonable wages—and will see their law-breaking rewarded with legitimacy.

Mr King has not reformed wages councils. But he has removed their vital protective role from one of the most vulnerable groups under their protection—the young. That may be pragmatism, in that protest is drowned, but it does little to *demonstrate genuine* Government interest in promoting young people's rights and interests during International Youth Year.

Malcolm Ryan.
57 Chalton Street, NW1.

Letters to the Editor

How President Zia helped Miss Bhutto

From the Minister (Information), Embassy of Pakistan

Sir,—John Elliott (July 18, page 4) gives the impression that Miss Benazir Bhutto has been exiled from Pakistan and that there is a restriction on her returning home. This is *not so.*

Miss Bhutto can return to Pakistan whenever she pleases to do so. President Zia-ul Haq, in a Channel Four interview on March 5, categorically said that she can return home whenever she likes and there was no question of arresting her, provided she does not break the law.

For the record, it should be noted that Miss Bhutto flew from Pakistan to Switzerland in January, 1984, for medical treatment with the knowledge and permission of the Pakistan Government. President Zia even helped in getting her a Swiss visa. Since her arrival in the UK 18 months ago, she has *maligned* President Zia and his Government.

Qutubuddin Aziz.
35 Lowndes Square, SW1.

Part-time courses in management

From the Director, Leicester Polytechnic

Sir,—I read with mild amusement "Another nasty shock—from the inside" (July 15). This polytechnic's school of management, with a *distinguished* history preceding 1945, decided to abandon full-time management courses six years ago, because it was clear that the formal study of management must postdate relevant experience and *responsibility.*

That is not to decry academic theory: of course not, but rather that theory is best comprehended in ways which make for effective application if it can be intellectually linked with *practice and experience.*

Hence our MBA degree, the MA degree in Human Resource Management and the DMS are being taught to some 150 practising managers with much of their study concentrating on *case material provided from* current experience. This approach is not unique in the polytechnic sector.

The present funding arrangements favour full-time courses and our decision on educational grounds to switch to *part-time* courses dramatically reduced our fee income. This was balanced by an equally dramatic increase in externally funded staff research and consultancy. A third of the 30 staff of the school of management are wholly funded by these means. This, of course, is some way from "self-financing" as advocated by Griffiths and Murray, but while the polytechnics are required to charge nominal tuition fees they cannot easily reach that target.

David Bethel.
PO Box 143, Leicester.

The supervision of concert parties

From Mr R. Instone

Sir,—The absurdity of the Take-over Panel's statement on the United Newspapers / Fleet *Holdings affair,* on which *Lex* has commented (July 19), illustrates yet again the inadequacy of the City Code's definition of "acting in concert."

Under this definition, there is no acting in concert unless there is active co-operation *through* the acquisition of shares. Hence if any member of a concert party can satisfy the Panel that the co-operation did not cover any actual acquisition, the fact that co-operation took place, whether before or afterwards, is irrelevant.

Obviously this definition gives the Panel unlimited scope for reaching the conclusion it wants to reach, on almost any conceivable scenario involving more than one party; very convenient for the Panel—and for nobody else.

The topic is far more competently treated in the Companies Act 1985, section 204 *(derived from the 1981 Act),* which deals with the notification of group acquisitions of shares. If the Panel desires to retain public confidence in its monitoring of concert parties, it is essential that the City Code should incorporate by reference *the language of the Act.* Everyone will then know (or be deemed to know) where he stands, and there will no longer be any need or excuse for bending the rules.

Ralph Instone.
7 New Square,
Lincolns Inn, WC2.

Labour leaders and elections

From Mr E. N. Addison

Sir,—Can anyone remember the name of the leader of the Labour Party in London before the GLC election and what happened to him?

For how long will anyone remember the name of the present Labour Party leader if Labour wins the next general election?

Edward N. Addison.
Fernacres, Fulmer, Bucks.

Proving a negative

From Mr K. Bristow

Sir,—In his letter (July 16) the managing director of Executive Search says that by the use of graphological reports his company has avoided many wrong appointments.

How can he know?

Ken Bristow.
2, Greenways Drive,
Sunningdale, Berks.

The art of percentages

From the managing director, Zenit.

Sir,—Barry Riley (July 13) talks of "a way of charging a lower percentage *commission* on a larger sum" in connection with brokers' percentages on deals. There is no problem in that; we operate such a formula for agents' commissions, the trick being to construct the *relationship in such a way that* the agent gets adequately rewarded for his effort on small jobs and yet does not get unnecessarily rewarded for big ones. We also use a factor that is negotiable and depends on *the circumstances, such as* whether the agent merely introduces prospects, follows them through, is in the UK or abroad, etc.

Anyone can construct such a formulation graphically by just putting down a scale of job (or deals) value along one axis and dotting in the appropriate-seeming commission percentages at say £100, £1,000, £10,000, etc and submitting a draft for negotiation, bending the graph appropriately. But a formula that can be put on a calculator and that suits our own operations (industrial plant scales) turns out to be of the logarithmic form:

$$\%\ \text{commission} = \frac{20L}{2(\log SP - 1)}$$

where L is the negotiable factor and SP is the Selling Price.

For L=1 (which we apply for introductions-only cases) and a selling price of £10,000 this formula yields a percentage commission of 2½.

For L=2 (active selling to order stage) and a Selling Price of £1,000 it yields 10 per cent.

With calculators to hand there is no need to have *incremental variations;* the exact figure for the SP when entered gives the precise percentage commission. The same "engineering design" of reward formulae is applied to, for example, our Job Addendum (Managers) incentive scheme, where the JAM = 1/L (NM—OH), NM being Net Margin and OH Overheads contribution. Similarly for adjusting gross pay levels to arrive at constant take-home pay when sick pay was being claimed.

B. S. Crone.
30, Stamford Road, Bowdon, Altrincham, Cheshire.

FINANCIAL TIMES
Wednesday July 24 1985

Alan Friedman in Milan reconstructs the events leading to Friday's devaluation

Why the Bank of Italy let the lira crash

THE BANK of Italy declined to intervene in foreign exchange markets to save the lira last Friday when it was crashing by 20 per cent against the dollar because of fears that it would appear to be giving preferential treatment to ENI, the state energy group, whose purchase of $125m triggered the collapse.

Fresh information came to light yesterday about the Bank of Italy's thinking during Friday's currency crisis. It also emerged that the central bank feared that if it undertook a market operation to support the lira (not just in Milan but abroad as well), it would have cost several hundred million dollars of Italian official reserves. The Italian Treasury's decision to close the foreign exchange market on Friday, although an extreme measure, was eventually judged to be the lower cost option.

Friday's bizarre chain of events, which came as a prelude to the effective 8 per cent devaluation of the lira inside the European Monetary System at the weekend, saw the lira sink from L1,839 to the dollar to L2,200. Yesterday, on the second day of foreign exchange trading since the devaluation, the lira regained more lost ground to close in Milan at L1,907.

Prime Minister Bettino Craxi has ordered a full inquiry into the events of last Friday, but, based on new information, it is now possible to reconstruct the events with some precision.

The day started with the Craxi Government planning to take advantage of market calm to seek a lira devaluation within the EMS. The currency drama got out of control after ENI ignored Bank of Italy advice to delay its $125m purchase for a few days: the central bank felt it could not, however, tell ENI that the reason for the delay was a forthcoming devaluation.

ENI, for its part, has defended its dollar purchase as "normal" and blamed the lira crash on confused contacts between itself and the Bank of Italy.

At 12.15pm ENI contacted the Bank of Italy and said it wished to buy the $125m directly from the central bank. With Sig Lamberto Dini, director-general, and Sig Fabrizio Saccomanni, head of foreign exchange, in the dealing room of the bank, ENI was rung back a few minutes later and advised to delay the operation.

At 12.55pm, ENI again contacted the Bank and asked it to make dollars directly available, away from the market. The Bank refused the request and ENI said it was going ahead with its purchase in the foreign exchange markets.

Five minutes later, San Paulo di Torino, one of Italy's largest banks, contacted the central bank and said it would be acting for ENI. San Paulo asked for dollars to be supplied directly. The Bank again declined. San Paulo asked for time to consult ENI and the Bank of Italy decided to delay the normal 1.15pm forex price fixing in Milan.

At 1.35pm, San Paulo told the Bank of Italy it had received confirmation of the ENI order. The central bank did not intervene, calculating that to do so would have meant market interventions in dollars, D-marks, French francs and other currencies, which might have cost it several hundred million dollars in operations on international markets later in the afternoon.

The central bank also decided not to contact ENI at a senior level to call off the operation because it viewed that as improper and in any case would have required telling ENI of the impending EMS realignment talks.

San Paulo went into the market and at the fixing the lira was shown to have crashed by 20 per cent against the dollar. By that time, central banks in Frankfurt, Brussels, Amsterdam and other European capitals were automatically buying lire under the framework of the EMS system. But they were then informed that the Bank of Italy was taking no action. At 2pm the Italian Treasury shut down Italy's foreign exchange markets.

What appears to have been going on inside the Bank of Italy's dealing room was a delicate game of poker – the central bank was hoping ENI would call off its dollar-buying. At the same time, the Bank did not wish to intervene when it became clear that ENI's search for dollars was driving the lira's value sharply down, in a market that could not supply the U.S. currency.

Critics of the Italian central bank say it should have intervened, but the Bank of Italy was unwilling to spend what it calculated to be potentially several hundred millions of dollars of reserves. The central bank, meanwhile, did not wish to appear as ENI's counterpart in a market where the supply of dollars was not otherwise forthcoming.

Political interference hits ENI recovery, Page 19

Paris to slash aid to state industry

Continued from Page 1

Only a small number of priority sectors have escaped the public spending axe. These include law and order, research, education and training expenditures. Even defence was threatened but last minute interministerial negotiations have given the defence budget more funds than the economy ministry originally planned. In turn, this has meant further cuts in other areas mainly in the public administration current spending budget.

As part of these current spending cuts, the Government intends to reduce net employment in the public administration by 5,500 jobs next year. Originally, the target had been around 5,000 jobs.

It also plans to hold down civil servants' wage rises next year to 3.4 per cent. The recent fall in French interest rates has given a little more leeway to the Finance Ministry on interest payments on the national debt.

M Bérégovoy and Finance Ministry officials emphasise that the Government has put together a rigorous budget for next year because it believes that it will be ultimately judged by its overall economic track record in the 1986 election and not by any "quick fix" electoral measures in the budget. Indeed, M Bérégovoy said he would have preferred an even tougher budget.

The overall budget strategy is dictated by President François Mitterrand's desire to see the budget deficit held within a ceiling of 3 per cent of gross domestic product (GDP) next year.

Complicating the Government's task is the current low growth rate of the French economy, with GDP expected to rise by between 0.8 per cent and 1.5 per cent this year depending on a range of recent forecasts.

Borg-Warner achieves radical jobs and pay deal at UK plant

BY JOHN LLOYD, INDUSTRIAL EDITOR, IN LONDON

BORG-WARNER, the U.S. automatic transmission group, has reached a deal with its British unions that involves a six-year pay agreement and gives a large degree of flexibility in working practices.

The deal, more radical in some respects than previous "no strike" agreements between Japanese-owned companies and Britain's electricians' union, the EETPU, has ensured the survival of a plant at Kenfig in Wales, closure of which was announced last December. Some 600 jobs have been saved.

It is understood that the company is to receive some £30m ($42m) of new investment from its Chicago-based parent company, and that will fill some £45m worth of orders for a new product line – details of which have not been disclosed.

The deal was thought so radical by senior officials of the Amalgamated Union of Engineering Workers, the plant's main union, that they told the company they could not agree to it because of its "knock-on" effect in other industries if it was embodied in a formal agreement at national level. They recognised, however, that it was the only way to save jobs and agreed not to oppose it.

Senior officials of Britain's Advisory Conciliation and Arbitration Service were also involved in discreet meetings with union and management representatives, and did some "toning down" of a play that was originally even more radical than the present one.

The main points of the agreement include:

- Flexible working practices replacing previously strictly guarded demarcation lines with workers who will operate, maintain and even clean their own machines.
- A 7 per cent pay rise in 1985 and rises of 5 per cent in 1986 and 1987. Precise figures for the second three years of the deal will have to be concluded later.
- Convenors and shop stewards will cease to be full-time union officials.

The deal was preceded by an intensive sales campaign by the plant's management, led by the Australian-born managing director of its transmissions division, Mr Gary Toomey. Mr Toomey met all the employees of the plant in 50-strong groups to convince them that the plan was required to save the plant and their jobs.

The plan, drawn up in a document, was then put to the vote of the workforce, and received "overwhelming" endorsement. A few workers strongly dissented from the terms it lays out, some 20 of whom have since left the company.

The deal is remarkable because the workers at Borg Warner are not, as in many of the electronic plants that have signed "no strike" deals, largely female, with little tradition of unionism. These are largely male, some of them former miners or steelworkers from the nearby Port Talbot plant, and part of a "strong union environment," in the words of Mr Paul Humphries, Borg-Warner's divisional personnel manager.

That environment did not mean constant industrial action – indeed, strikes were not common in the plant – but it did mean, he says, a lack of flexibility and insistence on agreed lines of demarcation.

John Griffiths writes: Britain's Welsh Office is expected to provide financial aid for the new Kenfig project, which is known to involve manufacture of either a full transmission or key components for one. Borg-Warner refuses to comment on whether it is a continuously variable transmission (CVT) for cars, although that prospect appears increasingly likely.

Until the end of last year, Borg-Warner was a partner in Van Doorne Transmissie of the Netherlands, which expected to produce a modern version of a CVT originally fitted in Daf cars in the 1970s.

Opec discusses price cut plan

BY RICHARD JOHNS IN GENEVA

THE Organisation of Petroleum Exporting Countries was last night moving towards an agreement to cut the price of heavy crude by 50 cents or so a barrel.

Any such compromise would last only until the next ministerial conference, expected in mid-September. It would do little, if anything, to revive the flagging output of Saudi Arabia but might at least save its face "after" complaints about the drastic fall in demand for the Kingdom's oil because of price discounting by other members and thinly veiled threats of retaliation from Riyadh.

The impression left by a beaming Sheikh Ahmed Zaki Yamani, Saudi Minister of Oil, is that his Government can afford to wait a little longer, giving other members a chance to observe more fully commitments to official selling rates and quotas under the present ceiling of 16m barrels a day (b/d).

A cut of $1.50 would be required to align the official rate for the Kingdom's Arabian Heavy with an API gravity of 27 degrees, with the market rates and boost Saudi exports. A 50 cent reduction would bring its price down to $26 and other Opec varieties would be lowered accordingly.

It looked as if some special arangement would have to be made for Venezuela's varieties of even heavier crude lest if take unilateral action to match cuts made by Mexico nearly two months ago.

The Opec ceiling of 16m b/d has ceased to have much meaning as actual demand and output have plummeted well below this level, set last October. The most recent edition of the well informed Middle East Economic Survey calculates the average output for the second quarter at 14.7m b/d, with the rate for June having dropped to only 13.7m b/d, when, it reckons, the United Arab Emirates, Ecuador, Venezuela and Gabon were exceeding quotas.

Algeria will almost certainly dissociate itself from any agreement geared to satisfying Saudi grievances. It will probably be joined in opposition by Libya and Iran. All three dissented from the majority decision to raise the price of Arabian Heavy by 50 cents in January, when it was considered undervalued, and lower the Arabian Light, previously regarded as Opec's reference price, from $29 to $28.

Mr Belkacem Nabi, Algerian chief delegate, is understood to have put up a truculent performance yesterday at a session devoted to a discussion of the report by Opec's Ministerial Executive Council chaired by Sheikh Yamani and established at the end of last year to help to enforce adherence to official prices and output quotas. He is said to have criticised vehemently the work of the council.

According to one senior delegate, no fewer than five of the 13 members have failed to comply with the mandate given to the Dutch auditing firm KMG Klynveld Kraayenhof by opening all books and other relevant information necessary for its task of checking on pricing and production practices.

The talks adjourned last night without agreement and are due to resume this morning.

Max Wilkinson, in London, writes: Sterling shrugged off any anxieties about future oil prices yesterday, gaining ground against continental European currencies and a weakening dollar.

The stout performance of sterling encouraged foreign buyers to continue to move into the government securities market, where prices generally moved up, particularly for longer dated stocks.

The pound's strong performance and evidence that the dollar continued to be weak encouraged hopes in the markets that a further cut in UK interest rates might soon appear on the horizon.

The British authorities, however, still seem to be very reluctant to start looking towards the next cut in clearing bank base lending rates

BP's challenge, Page 24

S. Africa arrests rise as violence continues

By Anthony Robinson in Johannesburg

AS THE South African security forces continued their round-up of anti-apartheid activists yesterday, police headquarters in Pretoria issued the names of 441 people arrested without charge during the first three days of the state of emergency declared on Saturday night and said a further 60 people had been charged with criminal offences.

Despite the police crackdown, reports of continuing unrest in many parts of the country told of at least nine deaths since Sunday. But the funeral of 15 people killed in Kwathema on the East Rand three weeks ago passed off quietly against the background of a show of strength by army and police units.

Among the mourners was Bishop Keith Sutton, the Bishop of Lichfield. He was sent by the Archbishop of Canterbury, head of the Anglican Church, which numbers millions of blacks as well as white members in South Africa.

Bishop Sutton was accompanied by Bishop Desmond Tutu, the black Anglican Bishop of Johannesburg, who, in a moving speech, denounced the state of emergency but also the brutal killings of alleged black informers which have occurred in recent weeks. He threatened to "collect my family and leave this country which I love so dearly" if such killings recurred.

Among the subjects of security force attention yesterday was the Johannesburg headquarters of the United Democratic Front (UDF), which was raided at noon. Police detained one man and emerged with a box of documents after a three-hour search.

Activists from the UDF as well as the rival black consciousness Azapo movement figured prominently among the list of detained persons, which also includes four priests and leaders of the black motor assembly and component workers union (Macusa) in the Port Elizabeth area, scene of recent strikes in the Ford, General Motors and Volkswagen plants.

In perhaps the most embarrassing incident for the Government, three policemen arrested Mrs Molly Blackburn, a prominent local opposition councillor in Port Elizabeth, only hours before she was due to meet a group of high-ranking members of the Ford Foundation, who are in South Africa on a fact-finding mission.

Mrs Blackburn, who has earned the respect and affection of the black community for her defence of the civil and other rights of detainees and their families, was charged under the security acts for attending an illegal meeting on July 14 and released hours later after paying R100 ($62) bail.

UK rules out South Africa sanctions

Continued from Page 1

black community, "whom blacks must be permitted to choose."

Sir Geoffrey called on the South African Government to take the following "bold" steps: the unconditional release of Mr Nelson Mandela and other acknowledged political leaders, an end to forced removals, an end to detention without trial, an early end to the state of emergency, the progressive abolition of discriminatory legislation such as the pass laws and the Group Areas Act and a commitment to some form of common citizenship for all South Africans.

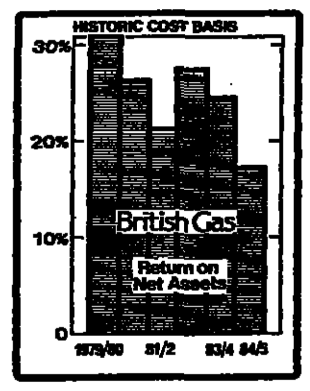
THE LEX COLUMN

Breathing harder at British Gas

Nobody could ever seriously accuse British Gas of pumping up its profits before the flotation; its anti-inflationary rigour is proverbial. Moreover, its results for the year to March have put an undisguised dent in the growth record; it cannot have been in the privatisation programme for Sir Denis Rooke to come out with profits of £651m – down by nearly a quarter. All the same, the 1985 version of the corporation's staunchly current-cost accounting policies do appear to represent a modest loosening, which will scarcely come amiss when the prospectus has to be drafted next year.

If the results had been presented on last year's basis they would certainly have looked much less attractive; British Gas would have been reporting only just over £500m for 1985. Lengthen the depreciation period for gas mains and the profit progression is not only that much smoother, but will move on a generally more elevated level. If nothing else, the restatement lifts 1984 profits to £849m – a figure from which £1bn seems attainable by just a year or two of normal improvements in efficiency.

Cosmetic factors apart, the changes have much to be said for them. It does at least make sense for pipelines to be depreciated over their own economic life, rather than at a rate calculated by guessing how large the gas reserves are. And the knock-on benefit of postponing indefinitely the reversal of corporation tax timing differences has enabled the corporation to write its deferred tax provisions back into the reserves. Not only are profits to be higher, but the balance sheet has grown a fraction larger and stronger. Perhaps British Gas is warming to privatisation after all.



Dollar charts

Currency chartists had their rulers out yesterday as the dollar fell smartly first thing in the morning. The line connecting all the low points on the dollar/D-Mark chart since 1982 suggests that there is a support level at DM 2.83 – a level from which the dollar bounced back at the end of last week. Sure enough, although DM 2.8345 was yesterday's London low – a six-pfennig overnight drop – the dollar had clawed back two pfennigs by the close.

But one of the many dogmas of chartism is the principle of third time through – having bounced twice, the dollar might fall straight through the support level the third time round. If so, some technical analysts discern another support point at DM 2.75, yet others claim that it will be free fall until DM 2.55 or DM 2.60. Of course, it all depends on where and how thickly you draw the line. But all the chartists agree that against the D-Mark, the dollar is busy falling out of its five-year upward trend. If the Federal Reserve wants to engineer a soft landing, it may have to dissuade currency speculators from trading the trend.

Sterling, meanwhile, is rather further along the line. It broke through the equivalent of the DM 2.83 support level at $1.30 and the next stop for a break is apparently at around $1.50, provided interest rates do not fall first. If anything is holding back the D-Mark, it must be interest-rate differentials. With sterling yielding nearly 7 per cent more than the D-Mark, anyone moving out of the dollar must be rather more tempted to buy the pound, if only for its income.

Throgmorton/SNIT

When Throgmorton Trust bid for the Edinburgh-based Pentland Investment Trust two years ago, it looked to outsiders like a re-run of the battle of Bannockburn. Yesterday's offer for Scottish Northern Investment Trust, based in Aberdeen, was an altogether more seemly affair. Throgmorton is still hoping for a recommendation from SNIT's board, and though that has not yet arrived, SNIT's holding statement was by no means dismissive.

It was clear that something had to happen to SNIT soon. In May, it announced plans to team up with the management of Stanecastle Assets, another Edinburgh firm. When that deal dissolved, the search for new management turned into a beauty contest with at least three other competitors. Throgmorton decided not even to enter – much easier, it thought, simply to buy the assets.

On yesterday's calculations, those assets do not come cheap. Throgmorton is offering about 150p a share, a discount of around 7½ per cent to SNIT's net asset value and a price which will dilute Throgmorton's assets by 2–3 per cent. But the fit looks good. Nearly a fifth of SNIT's assets are in unquoted companies, where specialist investment management is vital – and where Throgmorton has excelled. Then the 20 per cent of SNIT's assets in the U.S. will help Throgmorton's strategy of increasing its overseas exposure.

But SNIT shareholders are only halfway through the first chapter of this saga; their board has hinted that other suitors may be on their way. The market yesterday thought it best to sit tight; the 3p that Throgmorton shares lost was put on to SNIT, whose shares closed at 142p, still less than the value of the bid.

Tartan fences

In monopolies policy, at any rate, Scotland's national spirit seems to have been robbed of its potency since the intoxicating defeat of takeover bids from Hiram Walker and the Hongkong Bank a few years ago. It is possible, indeed, that yesterday's decision not to block the Guinness offer for Arthur Bell by a monopolies reference marks the end of the Scottish ring fence against hostile bids. If so, it would be consistent with the policy of limiting the work of the monopolies commission to the weighing of arguments about competition, and no bad thing.

The Bell share price has, on the whole, been assuming as much for a while; it has been comfortably clear of the Guinness terms and firmed only another 10p yesterday, to close at 245p. That leaves Guinness with a gap that can only be closed by Bruce-like patience – in keeping with its new solicitude for Scottish employment – of maybe an increased offer.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	29	84	Dubrovnik	S	28	82	Malaga	S	29	84	Salzburg	S	26	79
Akrotiri	S	33	91	Faro	S	31	88	Malta	S	31	88	Seoul	C	29	84
Algiers	S	29	84	Florence	S	34	93	Manila	S	33	91	Singapore	F	29	84
Amsterdam	F	18	64	Frankfurt	C	21	70	Miami	C	28	82	Stockholm	C	17	63
Athens	S	32	90	Funchal	S	24	75	Milan	S	29	84	Strasbourg	F	25	77
Bahrain	S	35	95	Geneva	S	27	81	Moscow	S	15	59	Sydney	F	13	55
Bangkok	C	31	88	Gibraltar	S	24	75	Munich	S	25	77	Taipei	C	33	91
Barcelona	S	29	84	Guernsey	C	16	61	Nairobi	F	24	75	Tangier	C	34	93
Beirut	F	29	84	Helsinki	F	19	66	Naples	S	32	90	Tehran	–	–	–
Belgrade	S	25	77	H Kong	S	32	90	New Delhi	C	32	90	Tel Aviv	S	30	86
Berlin	C	19	66	Innsbruck	S	27	81	New York	S	29	84	Tenerife	–	–	–
Biarritz	S	24	75	Inverness	C	15	59	Nice	S	28	82	Tokyo	S	31	88
Blackpool	S	16	61	Istanbul	S	26	79	Oporto	S	29	84	Toronto	S	24	75
Bordeaux	S	28	82	Jersey	C	16	61	Oslo	F	12	54	Tunis	S	30	86
Brussels	F	19	66	Jo'burg	S	15	59	Paris	C	19	66	Valencia	S	32	90
Budapest	F	27	81	Las Palmas	S	25	77	Prague	C	20	68	Venice	S	26	79
B Aires	C	15	59	Lima	S	18	64	Reykjavik	F	12	54	Vienna	S	27	81
Cairo	S	35	95	Lisbon	S	31	88	Rio de J'o	C	26	79	Warsaw	C	19	66
Cape Town	S	21	70	Locarno	S	26	79	Rome	S	31	88	Zurich	S	26	79
Caracas	R	27	81	London	S	22	72								
Casablanca	S	34	93	Los Angeles	C	30	86								
Copenhagen	C	19	66	Luxembourg	C	18	64								
Corfu	S	33	91	Madrid	S	34	93								
Dublin	C	18	64	Majorca	S	30	86								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Auditors to sue Lawson for libel

Continued from Page 1

rare. In 1895 one Chatterton sued the Secretary of State for India for libel, and there may be other unrecorded cases.

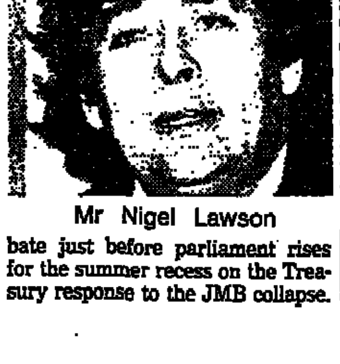
"If a minister were sued for defamation" Mr Peter Carter-Ruck, a leading libel lawyer, said last night, "he might well succeed on a plea of privilege, on the ground that he made the statement in the public interest."

The public interest was held to justify a defamatory letter published in The Times in *Adam v Wood* in 1917.

In that case the plaintiff, Mr Adam, who was an officer in a cavalry regiment and an MP, made false charges against his general in the House of Commons. The Secretary of the Army Council sent a letter to The Times vindicating the general and defaming Mr Adam.

It was held that publication in the press was justified on the ground of qualified privilege, because the charges in the house had raised wide publicity and the response was in the public interest.

Peter Riddell, Political Editor, adds: The JMB affair will be raised again in the Commons on Friday. Mr Brian Sedgemore, a Labour MP who has made a series of allegations about alleged fraud, will initiate a 45-minute adjournment debate just before parliament rises for the summer recess on the Treasury response to the JMB collapse.


Mr Nigel Lawson

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday July 24 1985

Exxon earnings cut by $545m special charge

BY WILLIAM HALL IN NEW YORK

EXXON, the world's biggest oil company, yesterday reported a 45 per cent drop in its second quarter net income to $745m after taking an additional $545m charge to cover its possible losses from a recent U.S. court ruling. Exxon was said to have charged too much for oil produced from its east Texas oilfield during a period of price controls.

The effect of the charge was to reduce earnings per share in the second quarter by 71 cents to 99 cents, compared with $1.63 in the same period last year. The company says if the special charge is excluded its earnings per share in the latest period rose 4.3 per cent to $1.70, reflecting the recent share buyback programme it has been conducting in the open market.

The group's overall net income, excluding the special charge, fell from $1.35bn to $1.29bn. The result is slightly disappointing given the big improvement in margins on downstream refining and marketing operations which has boosted other U.S. oil groups.

Mr Cliff Garvin, Exxon's chairman, said yesterday, "U.S. economic growth in the second quarter trailed last year's robust conditions with resulting weaker demand for petroleum products. Reductions in demand for boiler fuels, in part due to fuel substitution, more than offset growth in transport fuels abroad, and oil demand was stagnant."

The company says that despite lower economic growth, earnings from refining and marketing operations improved in the second quarter relative to both the first quarter and the same period last year. Improvements were realised in both the U.S. and abroad as margins strengthened. However, Exxon's chemical results were down from the strong 1984 second quarter as worldwide overcapacity reduced margins.

The dollar weakened relative to major foreign currencies throughout the second quarter in contrast to a general strengthening in the same quarter last year, with a resulting decrease in foreign exchange gains on overseas debt.

Exxon said yesterday that it continues to believe that the court decision on overcharging is "inequitable." It is seeking to have the ruling overturned and will go to the Supreme Court if necessary. In the meantime the latest provision means it has set aside $1bn to cover its exposure in this case and other Department of Energy regulatory matters.

Meanwhile, two of the other big U.S. oil groups which have been undergoing a major restructuring in recent months reported their results yesterday. Atlantic Richfield, which had already announced it was taking a $1.5bn charge to cover its restructuring costs, reported a $1.1bn second-quarter loss, equal to $4.90 per share. Phillips Petroleum reported a 52 per cent drop in its second quarter net income to $110m partly due to a $43m charge to cover a restructuring programme following the unsuccessful takeover bid by Mr Carl Icahn.

Setback for Sears, Roebuck

BY OUR NEW YORK STAFF

SEARS, ROEBUCK, the world's largest retailer, continued to be hit by the economic slowdown and a highly competitive marketplace in the second quarter. In merchandising, the main division, there was a 35 per cent fall in income, leaving overall operating income down 9.6 per cent at $301.7m.

After-tax earnings slid to $265.5m or 72 cents a share, from $356m or 99 cents. Part of this decline was attributable to lower realised capital gains and other income of $22.8m, compared with $95.7m last time. Also the year-ago period benefited from $64.1m from the sale of properties and a debt equity swap.

The results were below market expectations and Sears shares fell $¼ to $37⅝ in early trading on Wall Street.

Looking ahead, Mr Edward Telling, the chairman and chief executive, said that strong money supply growth and lower interest rates were contributing to increased consumer confidence and setting the stage for a better second half.

Half year net income declined from $569.6m, or $1.59 to $488.8m or $1.32, with net gains and other income down at $111.8m from $147.1m previously.

Total revenue for the six months was 4.5 per cent better at $18.6bn, compared with $17.81bn, including a 4.2 per cent advance in the latest quarter to $9.84bn, from $9.44bn.

Allstate insurance, Sears' second largest activity, turned in a $6.1m increase in income for the quarter to $152.5m on revenue 14 per cent higher at $2.53bn. Also Dean Witter Financial Services recovered to a $12.2m profit from a $22.7m, loss.

The improvement at Dean Witter reflects increased volume in the securities market. Its revenues were almost $100m ahead in the quarter to $596.1m.

Income at Coldwell Banker Real Estate fell to $4.8m. In the year ago period much of the $32.5m income arose from the sale of shopping centres. Revenue increased to $235.5m,

Phibro-Salomon advances strongly

BY OUR FINANCIAL STAFF

PHIBRO-Salomon, the Wall Street investment banking and commodities trading group, has reported a 41 per cent increase in net earnings for the quarter ended June 30 to $145m from $103m in the same period last year.

For the first six months of this year, net earnings reached $286m, up 28 per cent on the previous year's $223m. Net per share, fully diluted, rose to 94 cents from 68 cents.

At the pre-tax level, second quarter profits of $249m were up 72 per cent on last year's $145m. The company said that its effective tax rate continued to reflect provisions for 1985 arising from earnings gains by its domestic U.S. operations.

Revenues, at $6.15bn, were down 11 per cent for the quarter from $6.92bn a year earlier, and down 9.2 per cent for the half year to $12.3bn from $13.5bn.

Salomon Brothers, the group's securities and investment banking arm, saw pre-tax profits rise 85 per cent to $208m for the quarter from $112m last year, and maintained its position as the leading U.S. underwriter of securities issues, according to Mr John Gutfreund, chairman of the group.

Phibro Energy, the group's oil dealing subsidiary, benefited from some firming of spot oil markets, according to Mr Gutfreund.

EUROBONDS

BNP's Ecu venture welcomed

BY MAGGIE URRY IN LONDON

BANQUE Nationale de Paris braved the European Currency Unit Eurobond market with the first new issue since the lira was devalued over the weekend. The deal, for Ecu 75m, was welcomed by the market and traded at a discount around the 1⅜ per cent selling concession.

The issue has a 10-year life and pays a coupon of 8⅞ per cent with the issue price set at par. Fees total 2 per cent. BNP itself is book-runner.

The Ecu market has been fairly stable since the weekend and prices were little changed yesterday. Dealers said that the new issue helped to give the market confidence.

An entry in the Australian dollar bond market was also successful. The A$50m issue marked the debut of the Australian Gas Light Company in the international debt markets, and was led by Orion Royal Bank.

The issue has a seven-year maturity and pays a 13 per cent coupon with the issue price set at 100⅞. Fees total 2 per cent. The bonds were trading at a discount of around ¾ point to the issue price.

Meanwhile the falling U.S. dollar and the lower New York bond market are continuing to unsettle the Eurodollar bond market. Traders noted a complete lack of interest in this sector and prices drifted down by ⅜ to ½ point.

The only deal to be issued was a minimum $35m two-tranche convertible by Pegasus Gold, the U.S. subsidiary of a Canadian company, whose shares are quoted on the Toronto Stock Exchange and dealt over the counter in the U.S. The company operates the Zortman/Landusky gold and silver mine in Montana.

While the first tranche is a straightforward bond, convertible into shares, the second is convertible into gold, giving investors a play on the gold price over the seven-year life of the bonds.

This $10m tranche will pay a 5 per cent coupon so that investors receive some income while hoping for a gold price rise. The bonds will convert into gold at a price to be fixed in late August at a three-day average of the London gold fixing.

The tranche convertible into shares will be of between $25m and $35m, with a seven-year life and an 8½ per cent coupon. The conversion premium will be about 15 per cent. Issue price for both tranches is par. The lead managers on the deal are Bank Gutzwiller, Kurz, Bungener (Overseas) and Prudential-Bache Securities.

In the Swiss franc foreign bond market Soditic launched a SwFr 200m maximum public deal for Consolidated Press International Finance, the Australian media group controlled by Mr Kerry Parker. The issue has a 10-year life

The secondary market was quiet, with prices drifting lower where changed. Two new issues traded for the first time. Ferrovie dello Stato's SwFr 100m floating rate note closed yesterday at 98⅝ compared to the par issue price, after opening in the morning at 99½. First City Financial's SwFr 125m dual-currency issue closed at 99½ in dollar terms compared to a par issue price.

D-Mark Eurobonds maintained price levels in thin trading.

International bond service, Page 17

PepsiCo sparkles during quarter

By Chris Cameron-Jones in New York

PEPSICO, the leading challenger to Coca-Cola's dominance of the world soft drink market, achieved 29 per cent growth in pre-tax earnings from continuing operations in the second quarter and a major turnround in reported overall net income. PepsiCo's substantially faster expansion in the U.S. than that of the soft drink industry generally helped push its worldwide soft drink earnings ahead 10 per cent.

Overall net income in the latest quarter reached $256.29m or $2.68 a share, with $119.3m from continuing activities and a $129.7m net gain from disposals. This compared with an overall loss of $42.55m or 44 cents, in the corresponding period a year ago. Then, continuing operations contributed $30.33m net, but there was a $156m pre-tax provision for restructuring and a $15m net loss on disposals.

For the first half, net final income emerged sharply up at $319.13m or $3.34 a share against $4.61m or 6 cents. Sales for the six months were up $197m at $3.56bn, with a $122m advance to $1.94bn in the second quarter.

Mr Donald Kendall, chairman and chief executive, said that even greater momentum was expected in operations for the rest of 1985, with a strong second half by all three business sectors.

During the latest quarter, sales from U.S. Pepsi-Cola bottlers were 11 per cent ahead but abroad they were little changed. In snack foods, earnings were 19 per cent higher for the period but restaurant business earnings slipped 6 per cent.

Good forecast for Swiss Volksbank

By Our Financial Staff

SWISS VOLKSBANK, the Swiss bank, expects good results for 1985 after a strong second-quarter performance.

The bank says earnings for the three months ended June were significantly above the comparable 1984 levels, and also ahead of internal budget.

The improvement mostly reflects buoyant stock market and foreign exchange commissions, it points out. Balance sheet total at end June was SwFr 24.23bn ($10.18bn), up almost 8 per cent from the level six months earlier.

Volksbank's mid-term report mirrors that of a number of other Swiss banks. Swiss Bank Corporation and Union Bank of Switzerland, two of the Swiss big three commercial banks, recently disclosed strong first-half results.

For 1984 Volksbank made a net profit of SwFr 75m, an increase of 20 per cent over the SwFr 62.2m of 1983.

Brazilian bank returns big increase

By Andrew Whitley in Rio De Janeiro

BANCO BRASILEIRO de Descontos, the leading Brazilian private bank yesterday reported a 123 per cent increase in pre-tax profits for the first half, to $219m, compared with the same period last year.

The Bradesco management conglomerate, of which the commercial bank forms the largest part, improved its earnings before tax by 91 per cent to $264m.

A strong performance had been expected as the first half of 1984 had been exceptionally poor in the Bradesco entire banking sector. But results were better than forecast.

The group's total assets increased by 14 per cent during the half and 20 per cent over the full 12 months to stand at $9.67bn,

Commerzbank earnings rise 21% at mid-way

BY JONATHAN CARR IN FRANKFURT

COMMERZBANK, the West German commercial bank, sharply boosted operating profit in the first half of this year due to record earnings from trading on its own account in securities and foreign exchange.

Earnings from commissions business jumped by 21.3 per cent against one half of the full 1984 result to DM 389.3m ($96.8m), while interest profits rose by 1.6 per cent to DM 932.2m.

After deducting personnel and other expenses, this left Commerzbank at mid-year with a "partial" operating profit of DM 318.1m – just 0.2 per cent more than the comparable 1984 figure.

Full operating profit was well ahead, however, thanks to what Commerzbank describes as the highest six-month earnings it has achieved from own-account trading. Precise figures were not given.

Commerzbank is the first of the "big three" German commercial banks to announce first-half results, with Deutsche and Dresdner banks expected to follow in the next fortnight.

Indications are that the major banks are heading for 1985 profits which could well surpass the 1984 results, and even match the record figures of 1983. In Commerzbank's case, there is already speculation that the dividend may be raised from the current level of DM 6 per DM 50 share.

As the Commerzbank interim report makes clear, the profits improvement is coming against a background of a strengthening domestic economy, with low inflation and falling interest rates. Corporate lending is particularly brisk.

The parent bank's balance sheet total increased from DM 72.8bn at the end of last year to DM 75.4bn in mid-1985, while that of the group was up from DM 122.7bn to DM 129.2bn. The liable funds of the parent have been raised to DM 3.14bn, thanks mainly to the issue this month of DM 425m worth of profit-sharing certificates.

In another development, Commerzbank has confirmed that Banco Hispano Americano (BHA), one of Spain's biggest banks, will not after all be exercising its option to acquire Commerzbank stock.

Under an accord announced in June last year, Commerzbank took a 10 per cent stake in BHA, which in turn was to have a holding of up to 7.5 per cent in the German bank.

It is understood that BHA will not be taking a stake, not least because of a tightening of Spanish law making it costlier for domestic banks to acquire holdings in foreign enterprises.

Reynolds Metals hit by imports

By Our Financial Staff

REYNOLDS Metals, the second largest U.S. aluminium producer, suffered a further decline in earnings during the second quarter, reflecting weak prices and high levels of imports.

Net profits slumped from $37.3m or $1.74 a share in the 1984 second quarter to $4.9m or 21 cents. The latest result, which includes a $1.3m tax credit, represents a further decline on the $7m earned in the 1985 first quarter.

Earnings for the first six months therefore emerge at $11.9m or 52 cents a share, against $59.6m or $2.77.

Sales fell from $1.95bn in the 1984 first-half to $1.73bn, and from $1bn to $921.5m in the latest quarter, when shipments slipped from 297,800 a year ago to 293,900 tonnes.

Western Union cuts deficit to $9.7m

BY OUR FINANCIAL STAFF

WESTERN UNION, the struggling U.S. telecommunications group, has reported a second-quarter net loss of $9.7m, down sharply from the $15.3m deficit in the first three months but still higher than the $2.9m operating loss in the second quarter of 1984.

The latest loss is equivalent to 65 cents a share. In the comparable period of 1984, an $8.3m extraordinary gain made final net $5.3m or 8 cents a share.

Mr Robert S. Leventhal, chairman and chief executive since last December, said: "While we still have a long distance to go in recovering from the liquidity crisis that the company experienced in the fourth quarter of 1984 we have significantly reduced our ongoing expenses for wages and administrative costs."

Western Union suffered a loss of $56.3m last year and came close to bankruptcy early this year before bank credit agreements were renegotiated. The group has spent heavily to expand into unregulated areas such as electronic mail.

Western Union Telegraph, the company's principal subsidiary, made a loss of $600,000 in the second quarter, compared with net profits of $7.1m a year earlier. Western Union is trying to eliminate job security guarantees granted when the company was a regulated monopoly carrier.

The latest loss took the deficit for the first six months of 1985 to $25m, or $1.54 a share, compared with an operating loss of $480,000. Final net in the first half of 1984 was $19.3m or 81 cents after a $19.8m extraordinary gain.

Montedison may agree truce with BI-Invest

By Alan Friedman in London

SIGNS of a truce were emerging yesterday in the bitter corporate struggle between Montedison, the Milan-based chemicals group, and BI-Invest, the financial and industrial holding company in which it took a 37 per cent controlling stake earlier this month.

Montedison paid L240bn ($123m) to stock-market raiders for the BI-Invest stake, but trouble occurred immediately when it became clear that in doing so Montedison had taken an indirect stake in itself – BI-Invest holds an indirect stake in Montedison through its shareholding in Gemina, a financial vehicle also controlled by Fiat and Pirelli.

Last week it was learned that BI-Invest might have succeeded in blocking Montedison by spending L40bn to acquire more than 2 per cent of Montedison. This counter-attack, using Italian law on cross-holdings, is designed to force Montedison to cede its BI-Invest stake.

Yesterday, key signs emerged that the two parties might be willing to call a truce and thereby allow mediation by Sig Cesare Romiti, Fiat managing director to continue privately. An extraordinary meeting of BI-Invest shareholders had been called to approve a motion allowing the company to buy its own shares in the market in order to overtake the Montedison stake. Sig Carlo Bonomi, BI-Invest chairman, asked shareholders to abandon the proposal. Meanwhile, Montedison, which had been expected to appear at the meeting, did not even attend.

● Indesit, Italy's troubled manufacturer of white goods, which last week dismissed and replaced its entire board after disclosing a record L106bn loss for 1984, was in talks last night with senior officials of the Ministry of Industry.

The company was discussing details of its restructuring plan, which is likely to involve big lay-offs and the sale of a part of the company.

Mexican brewer under new control

BY DAVID GARDNER IN MEXICO CITY

CERVECERÍA Moctezuma (Cermot), the troubled Mexican brewery, which has been locked in dispute with its foreign creditor banks for the last 18 months, is to become part of the Visa Group, the country's second largest private holding company.

The deal will rationalise the beer industry and increase the banks' chances of repayments on Cermot's debt of over $400m.

Sr Alberto Bailleres, Cermot's main shareholder, will surrender majority control of the brewery, in return for a minority holding in Visa, probably of 12 per cent. Not all details have been announced.

Visa, the Monterrey company with activities centring on brewing, soft drinks, food processing and packaging, owns the Cuauhtemoc brewery, which ranks second after the family owned Modelo brewery, and just ahead of Cermot. Rather than actually merging, Cuauhtemoc and Cermot will now run a co-ordinated and complementary strategy to compete against Modelo, according to industry sources.

From the bankers' point of view the deal may break the 18-month-old impasse in negotiations with Cermot. Sr Bailleres had been resisting a bank-inspired destructuring plan which proposed that he cede a stake in the company, in return for capitalisation of part of the debt. The proposals were that the banks converted $40m in debt into a 30 per cent stake or $80m into a 60 per cent holding.

Under the first option Sr Bailleres, who heads a powerful business empire which includes Industrias Penoles, the world's largest private silver producer, would put up $40m of his own capital.

Cermot's creditors finally started bankruptcy proceedings against the company in the face of Sr Bailleres's refusal to consider the capitalisation plan. Cermot's owner had earlier declared a suspension of payments giving his court protection against any immediate prospect of liquidation. But after new bankruptcy proceedings began in September, Mexico's financial authorities took over Cermot's management.

It is thought that Cermot creditors will more easily reach a restructuring agreement with Visa, which in February 1984 rescheduled $1.05bn on a floating-rate-note basis, thereby exempting itself from Mexico's 15 per cent withholding tax on dollar debt and greatly improving its liquidity. Ironically, it seems that Sr Bailleres, who has never commented publicly on the Cermot affair, will be surrendering 60 per cent of the company to Visa or exactly the highest stake in the rejected capitalisation proposals.

INT. COMPANIES and FINANCE

Downstream recovery lifts oil majors

BY OUR NEW YORK STAFF

MOBIL and Amoco, the second and fourth biggest U.S. oil groups, achieved improved second-quarter earnings, largely because of better margins on downstream refining and marketing operations.

Mobil's earnings rose 12 per cent to $411m while Amoco's were up 15 per cent at $600m. Earnings a share increased 26 per cent to $2.28 as a result of the group's share buyback programme. Mobil's earnings on a per-share basis rose 12 per cent to $1.01.

Mobil says the improvement in refining and marketing margins which began in the first quarter of 1985 continued through the second quarter, particularly in the U.S. That, combined with higher worldwide production of oil and gas, more than offset the impact of lower crude oil prices.

In the first six months of the year, Mobil's U.S. refining and marketing operations made a $42m profit compared with a loss of $10m last year. Overseas refining and marketing profits fell, however, from $135m to $37m.

Mr Richard Morrow, Amoco's chairman said: "The high level of earnings achieved in the second quarter is unlikely to continue during the balance of the year due to increasing downward pressure on crude and product prices, as worldwide production and refining capacities continue to exceed projected petroleum demand levels."

For the first half, Mobil's earnings declined to $731m or $1.79 a share from $746m or $1.83. Revenues fell slightly to $29.8bn from $30.1bn.

Amoco's first half earnings were $1.07bn, or $4.04 a share, against $1.12bn, or $3.84. Revenues declined to $14.3bn from $15bn.

Meanwhile **Occidental Petroleum**, the west coast oil group which earlier this week announced higher second-quarter profits, has agreed to buy 2.3m of its $15.50 cumulative preferred shares from *Drexel Burnham Lambert*, the U.S. investment bank, for about $253m.

As foreshadowed in June, the purchase will be made with cash from the $1bn sale to Royal Dutch/Shell of a 50 per cent interest in Occidental's Colombian oil interests. Following the deal with Drexel, Occidental will have retired 46 per cent of the preferred shares issued for the acquisition of Cities Service.

NORTH AMERICAN QUARTERLY RESULTS

AMERICAN BROADCASTING COS.
Television

Second quarter	1985	1984
	$	$
Revenue	856.2m	854.1m
Net profits	73.1m	72.4m
Net per share	2.51	2.48
Six months		
Revenue	1.65bn	1.69bn
Net profits	92.5m	96.3m
Net per share	3.18	3.30

ADOLPH COORS
Brewing

Second quarter	1985	1984
	$	$
Revenue	352.3m	285.3m
Net profits	27.1m	16.9m
Net per share	0.77	0.48
Six months		
Revenue	596.8m	501.9m
Net profits	27.8m	24.1m
Net per share	0.79	0.69

AIR PRODUCTS & CHEMICALS
Industrial gases

Third quarter	1984-85	1983-84
	$	$
Revenue	460m	448.9m
Net profits	37.7m	38.2m
Net per share	1.25	1.24
Nine month		
Revenue	1.33bn	1.31bn
Net profits	105.4m	108.9m
Net per share	3.47	3.52

AVON PRODUCTS
Cosmetics

Second quarter	1985	1984
	$	$
Revenue	726.5m	816.3m
Net profits	40.5m	47.6m
Net per share	0.51	0.56
Six months		
Revenue	1.39bn	1.54bn
Net profits	63.6m	77.7m
Net per share	0.80	0.91

BANK OF BOSTON
Largest New England bank

Second quarter	1985	1984
	$	$
Revenue	—	—
Net profits	38.5m	30.9m
Net per share	1.96	1.55
Six month		
Assets (end-June)	24.3bn	21.2bn
Net profits	83.5m	55.8m
Net per share	4.16	2.86

BELL ATLANTIC
Phone service

Second quarter	1985	1984
	$	$
Revenue	2.31bn	2.02bn
Net profits	283m	246.7m
Net per share	2.84	2.53
Six months		
Revenue	4.43bn	3.98bn
Net profits	538.3m	482.1m
Net per share	5.40	4.97

BRUNSWICK
Marine, recreational & techprods

Second quarter	1985	1984
	$	$
Revenue	397.1m	388.5m
Net profits	30.2m	28.2m
Net per share	1.40	1.32
Six months		
Revenue	765.5m	766.4m
Net profits	53.4m	51.1m
Net per share	2.48	2.41

CADILLAC FAIRVIEW
Property

First quarter	1985-6	1984-5
	C$	C$
Revenue	117m	134.1m
Op. net profits	7.8m	15.6m
Opt. net per share	0.07	0.16

CESSNA AIRCRAFT
General aviation

Third quarter	1984-85	1983-84
	$	$
Revenue	159.8m	176.6m
Net profits	†12.3m	52,665
Net per share	†0.12	—
Nine month		
Revenue	543.5m	444.2m
Net profits	2.7m	†17.2m
Net per share	0.14	†0.88

†Loss

COLECO INDUSTRIES
Toys, games

Second quarter	1985	1984
	$	$
Revenue	187.9m	166.6m
Net profits	24.6m	5.1m
Net per share	1.06	0.32
Six months		
Revenue	382m	362.7m
Net profits	52m	9.6m
Net per share	2.24	0.59

GREAT NORTHERN NEKOOSA
Forest products

Second quarter	1985	1984
	$	$
Revenue	480.6m	477.3m
Net profits	12.4m	35.1m
Net per share	0.49	1.35
Six months		
Revenue	978.8m	936.4m
Net profits	26.3m	64.8m
Net per share	1.00	2.49

HAMMER MILL PAPER
Paper & paper products

Second quarter	1984-85	1983-84
	$	$
Revenue	–	–
Net profits	10.81m	16.97m
Net per share	0.71	1.18
Six months		
Revenue	–	–
Net profits	18.74m	32.12m
Net per share	1.21	2.23

G. HEILEMAN BREWING
Brewing

Second quarter	1985	1984
	$	$
Revenue	387.4m	374.2m
Net profits	18.7m	17.1m
Net per share	0.71	0.64
Six months		
Revenue	576.9m	683m
Net profits	23.9m	27.3m
Net per share	0.91	1.03

HILTON HOTELS
Luxury hotels

Second quarter	1985	1984
	$	$
Revenue	185.7m	173.5m
Net profits	27.6m	24.5m
Net per share	1.11	0.92
Six months		
Revenue	358.9m	337.5m
Net profits	51m	43.7m
Net per share	2.05	1.63

IC INDUSTRIES
Consumer products; railroad

Second quarter	1985	1984
	$	$
Revenue	1.15bn	972.9m
Net profits	33.3m	28.3m
Net per share	0.62	0.71
Six months		
Revenue	2.21bn	1.88bn
Net profits	57.6m	48.4m
Net per share	1.09	1.18

KAUFMAN AND BROAD
Housing, insurance

Second quarter	1984-85	1983-84
	$	$
Revenue	229.2m	142.1m
Net profits	7.54m	6.69m
Net per share	0.50	0.39
Six months		
Revenue	381m	259.9m
Net profits	14.8m	12.1m
Net per share	0.99	0.68

LIBBEY-OWENS-FORD
Glass products

Second quarter	1985	1984
	$	$
Revenue	484.8m	460.3m
Net profits	21.6m	19.2m
Net per share	1.79	1.60
Six months		
Revenue	933.4m	906.6m
Net profits	40.8m	37.7m
Net per share	3.38	3.13

LOBLAW COS.
Retailing

Second quarter	1985	1984
	C$	C$
Revenue	1.58bn	1.47bn
Op. net profits	16.2m	14.1m
Op. net per share	0.41	0.36
Six month		
Revenue	3.06bn	2.84bn
Op. net profits	27.1m	23.8m
Op. net per share	0.67	0.59

MGM/UA ENTERTAINMENT
Films, TV programmes

Third quarter	1984-85	1983-84
	$	$
Revenue	145m	162.1m
Net profits	14.2m	5.6m
Net per share	0.29	0.11
Nine months		
Revenue	478m	568.6m
Net profits	66.2m†	32.5m
Net per share	1.33†	0.65

†Loss

NYNEX
Phone service

Second quarter	1985	1984
	$	$
Revenue	2.5bn	2.4bn
Net profits	262.5m	239.5m
Net per share	2.60	2.46
Six months		
Revenue	5bn	4.6bn
Net profits	519.9m	461.3m
Net per share	5.15	4.76

PACIFIC TELESIS
Phone service

Second quarter	1985	1984
	$	$
Revenue	2.12bn	1.96bn
Net profits	243.6m	211.9m
Net per share	2.42	2.18
Six months		
Revenue	4.2bn	3.8bn
Net profits	467.1m	408.7m
Net per share	4.65	4.22

PPG INDUSTRIES
Flat glass, industrial chemicals and coatings

Second quarter	1985	1984
	$	$
Revenue	1.10bn	1.10bn
Net profits	89.4m	86.1m
Net per share	1.26	1.23
Six months		
Revenue	2.20bn	2.10bn
Net profits	169.8m	160.2m
Net per share	2.43	2.29

REPUBLICBANK CORP.
Banking

Second quarter	1985	1984
	$	$
Revenue	–	–
Net profits	35.5m	32.3m
Net per share	1.19	1.08
Six month		
Assets (end June)	22.1bn	20.5bn
Net profits	70.9m	61.9m
Net per share	2.38	2.12

ROADWAY SERVICES
Road haulage

Second quarter	1984-85	1983-84
	$	$
Revenue	256.63m	335.58m
Net profits	17.55m	23.36m
Net per share	0.44	0.65
Six months		
Revenue	685.26m	648.64m
Net profits	30.58m	43.96m
Net per share	0.77	1.09

ROWAN COMPANIES
Oil and gas drilling

Second quarter	1985	1984
	$	$
Revenue	67.1m	46.1m
Net profits	109,000	1m
Net per share	Nil	0.02
Six months		
Revenue	133.9m	82.2m
Net profits	1.2m	†4m
Net per share	0.02	†0.07

†Loss

SANTA FE SOUTHERN PACIFIC
Railroad

Second quarter	1985	1984
	$	$
Revenue	1.63bn	1.70bn
Net profits	119.3m	143m
Net per share	0.67	0.75
Six months		
Revenue	3.20bn	3.34bn
Net profits	180.9m	250m
Net per share	1.01	1.31

SHERWIN-WILLIAMS
Paints

Second quarter	1985	1984
	$	$
Revenue	606.6m	557.3m
Net profits	28.5m	25.6m
Net per share	1.23	1.09
Six months		
Revenue	1.09bn	1.02bn
Net profits	34.2m	30.6m
Net per share	1.48	1.30

SOUTHWESTERN BELL
Phone Service

Second quarter	1985	1984
	$	$
Revenue	1.99bn	1.76bn
Net profits	256.9m	212.1m
Net per share	2.58	2.18
Six months		
Revenue	3.91bn	3.47bn
Net profits	521.8m	417.1m
Net per share	5.24	4.31

SUNTRUST BANKS*
Banking

Second quarter	1985	1984
	$	$
Revenue	–	–
Net profits	45.5m	41.8m
Net per share	0.91	0.85

SQUARE D
Electrical products

Second quarter	1985	1984
	$	$
Revenue	349m	338.3m
Net profits	22.3m	25.9m
Net per share	0.78	0.91
Six months		
Revenue	691.5m	664.6m
Net profits	47.1m	50.3m
Net per share	1.64	1.78

TELEDYNE INC
Engines, special metals, electronics

Second quarter	1985	1984
	$	$
Revenue	823.8m	898.2m
Net profits	224.6m	365.7m
Net per share	19.19	20.65
Six months		
Revenue	1.64bn	1.77bn
Net profits	348.1m	391.1m
Net per share	29.73	20.90

TEKTRONIX
Electronics instruments

Fourth quarter	1984-85	1983-84
	$	$
Revenue	373.7m	378.9m
Net profits	28.9m	64m
Net per share	1.45	3.28
Year		
Revenue	1.44bn	1.33bn
Net profits	90.2m	112m
Net per share	4.41	5.74

TEXAS OIL AND GAS
Oil and gas processing

Third quarter	1984-85	1983-84
	$	$
Revenue	379.7m	325.1m
Net profits	56.2m	88.3m
Net per share	0.28	0.42

VF
Clothing

Second quarter	1985	1984
	$	$
Revenue	347.2m	291.8m
Net profits	31.9m	30.2m
Net per share	1.04	0.98
Six months		
Revenue	648.4m	555.2m
Net profits	55.6m	57.5m
Net per share	1.80	1.76

W. W. GRAINGER
Electric motors distributor

Second quarter	1985	1984
	$	$
Revenue	294.5m	282.4m
Net profits	18.9m	16.2m
Net per share	0.65	0.63

INTERNATIONAL COMPANIES and FINANCE

Strong results for Merrill Lynch

BY OUR NEW YORK STAFF

MERRILL LYNCH of the U.S., the world's largest securities broker, continued to benefit strongly from an active stock market and higher average share prices in the second quarter. Strong performances in all other operating areas too and better cost control converted a $32.8m or 36 cents a share net loss a year ago into a profit of $67.6m or 69 cents a share.

Commission revenues more than trebled to $378m and principal transaction revenues quadrupled from last year's depressed levels to a record $258m.

Separately the firm has named Mr Daniel Tully, 53, as president and chief operating officer, in place of Mr William Schreyer, who in April succeeded the previous chairman, Mr Roger Birk, when he retired. Mr Tully is also named a director, together with three others, increasing the board to 15 members.

Together with the near-trebling of earnings in the first three months, the latest results took half-year total net income to $123.2m or $1.27, compared with a loss of $14.2m or 16 cents. Revenue for the period grew from $2.75bn to $3.35bn with a 30 per cent advance in the latest quarter to $1.76bn from $1.36bn.

Warner Communications continues recovery

BY CHRIS CAMERON-JONES IN NEW YORK

WARNER COMMUNICATIONS, the U.S. film and entertainment group which appears to be back in the takeover arena, has continued its recovery in to the second quarter.

Aided by strong performances in its filmed entertainment and record-music divisions, the company achieved net earnings of $28.56m, or 41 cents a share in the quarter, compared with a $27.2m loss on continuing operations a year ago.

For the first six months, profit reached $50.01m, or 72 cents, against a loss of $20.04m on continuing activities. A year ago, the net final loss for the half year was $406.8m.

Mr Steven Ross, the chairman and chief executive, said that the second quarter turnround was also helped by sharply lower corporate expenses. The results reflected the success of the company's strategic decision to focus its attention on its core entertainment and communications businesses, he added.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for July 23.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 10⅞ 90	100	101⅛	101⅝	−0⅛	−0½	10.47
Amex Credit 12⅝ 88	150	105½	106	−0⅛	−0½	10.40
Atlant Richfld 10¼ 00	250	92⅝	93⅛	−0¼	−1⅞	11.25
Bank of Tokyo 13⅜ 91	100	111⅝	112⅛	0	−0¾	10.89
BP Capital 11⅛ 92	150	101⅜	101⅞	−0⅜	−0⅜	10.73
Canada 11½ 90	500	104⅜	104⅞	−0⅝	−0¾	10.17
Canadian Pac 10¾ 93	100	100⅛	100⅝	−0⅜	−1⅛	10.67
Canadian Pac 12½ 99	75	106¾	107¼	−0¼	−1⅛	11.46
CBS Inc 11⅜ 92	100	101⅜	101⅞	0	−0⅞	11.01
Chevron U.S.A. 12¼ 89	600	103¾	104¼	−0⅝	−0½	10.98
Citicorp 11½ 95	150	100⅛	100⅝	−0⅛	−1⅛	11.42
Coca Cola 11¾ 91	100	105⅜	105⅞	−0⅝	−1	10.45
Denmark Kingdom 11¼ 89	100	101⅞	102⅜	−0¼	−0½	10.51
Denmark Kingdom 11½ 90	100	103⅜	103⅞	−0¼	−0⅝	10.48
Denmark Kingdom 11½ 92	100	102	102½	−0½	−1⅛	10.98
Denmark Kingdom 13¼ 91	100	108⅛	108⅝	0	−1	11.05
E.E.C. 11⅛ 90	100	102	102½	−0⅜	−0¾	10.44
E.I.B. 12 95	200	105⅝	106⅛	−0⅞	−1⅛	10.97
E.I.B. 13 96	200	109½	110	−0⅜	−0¼	11.40
Export Dev Corp 10 90	100	98⅜	98⅞	−0½	−0⅞	10.36
Export Dev Corp 12 88	100	105⅛	105⅝	−0⅛	−0⅞	10.34
Ford Motor Cred 11⅜ 90	100	101¼	101¾	−0⅜	−0½	10.90
Ford Motor Cred 11⅝ 95	100	100⅝	101⅛	−0⅝	−0⅝	11.44
Ford Motor Cred 11¾ 92	100	101¾	102¼	−0⅜	−1	11.29
Ford Motor Cred 12 95	100	103⅛	103⅝	−0⅜	−1¼	11.37
Gen Elec Credit 10¼ 00	200	99½	100	−0⅜	−0¾	10.27
GMAC 10¼ 89	200	99¾	100¼	−0⅜	−0¾	10.23
IBM Credit 10⅜ 2000	300	100¼	100¾	−0⅛	−0⅞	10.29
Indust Bk Japan 12⅞ 89	100	107⅝	108⅛	+0⅛	−0¾	10.43
Japan Air Lines 13⅜ 94	100	117⅛	117⅝	+0¼	−1⅝	10.32
Kellogg Company 10⅞ 90	100	100⅞	101⅜	−0⅜	−1⅛	10.51
Kellogg Company 11¼ 92	100	101¾	102¼	−0⅛	−1	10.77
L.T.C.B. 12⅞ 91	100	108⅛	108⅝	0	−1⅛	10.93
Macy Cred Corp 11¾ 95	100	102¾	103¼	−0½	−0⅜	11.19
Mellon Bank 13 87	100	105	105½	−0⅛	−0⅜	10.08
Merrill Lynch 12¼ 89	100	104⅝	105⅛	0	−0⅜	11.20
Minnesota 11½ 87	100	103	103½	0	−0¼	9.76
Mitsui Trust 11⅝ 90	100	102⅜	102⅞	+0⅛	−0¾	10.90
Morgan Guaranty 12⅜ 89	150	105⅜	105⅞	0	−0⅞	10.82
Nth America 12⅞ 91	100	† 105⅞	106⅜	−0⅝	−0¾	11.42
Penney J.C. 12¾ 91	100	106⅝	107⅛	−0⅜	−1⅛	11.13
Pru Realty secs 12⅛ 95	546	105⅝	106⅛	−0⅜	−1⅛	11.07
Qantas Airways 10⅜ 95	140	97¾	98¼	+0⅛	+0⅛	10.71
Quebec Hydro 11½ 92	100	101⅝	102⅛	−0¼	−1⅜	11.09
Ralston Purina 11¾ 95	150	102⅝	103⅛	−0½	−1⅝	11.23
Ralston Purina 12¼ 89	100	106	106½	−0⅜	−1¼	10.80
Royal Bk Can 12¾ 92 XW	100	102	102¾	−0⅛	−0¼	12.16
Saskatchewan 10 3/4 92	100	100⅛	100⅝	−0½	−0¾	10.64
Saskatchewan 11 7/8 89	100	104	104½	−0⅜	−1¾	10.58
S Wales Trsy 11¾ 90	150	104¼	104¾	−0⅛	−0⅜	10.48
Swed Exp Cred 10 92	100	96⅜	96⅞	−0½	−0⅞	10.71
Swed Exp Cred 12¼ 89XW	100	105¾	106¼	−0¼	−0¾	10.85
Sweden Kingdom 10⅞ 90	200	101⅛	101⅝	−0⅛	−0½	10.47
Sweden Kingdom 11½ 89	200	103½	104	−0⅛	−0¼	10.35
Sweden Kingdom 11¾ 94	100	103⅞	104⅜	−0⅝	−1⅝	11.00
Tenneco Corp 10¾ 95	150	99	99½	−0⅜	−0⅜	10.87
Texaco Capital 12⅞ 87	300	105	105½	−0⅛	−0⅝	9.96
Tokai Asia 11⅞ 95	100	102⅛	102⅝	−0⅜	−0¾	11.08
Victorian Rep 11⅝ 92	150	102⅞	103⅜	−0⅛	−0⅝	10.93
World Bank 12¼ 94	150	107½	108	−0⅝	−1	10.85
World Bank 12⅞ 94	200	110½	111	−0⅜	−1⅜	10.94

Average price change On day −0⅜ on week −0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	104⅞	105⅝	+0¼	+0¾	7.19
Austria Republic 7⅜ 94	200	104	104¾	−0⅛	+0½	6.93
Baxter Travenol 7¼ 94	200	101¾	102½	+0⅛	+0¾	6.90
Credit National 8⅛ 94	200	105½	106¼	+0⅛	+0⅜	7.17
Degussa Int Fin 7½ 94	100	103	103¾	+0⅛	+0⅛	6.95
E.E.C. 8 92	300	104¼	105	−0⅛	+1	7.08
E.I.B. 7¼ 94	300	101⅜	102⅛	0	+0⅝	6.98
Escom 8 92	150	97¼	98	−1¼	−1⅞	8.47
Ferrovie Dello Stato 8 91	100	103⅛	103⅞	+0¼	+0¼	7.22
Finland Republic 7 92	300	100½	101¼	+0⅛	+0½	6.82
Gould Int Fin 7⅜ 91	100	103¼	104	+0⅛	+0⅜	6.84
Ireland 8⅛ 92	150	105	105¾	−0⅛	+0¼	7.09
Japan Fin Corp 7⅜ 91	100	104⅛	104⅞	+0⅛	+0½	6.68
Mitsubishi Hvy 3½ 89WW	300	127	127¾	+0½	+1⅞	−3.35
Mitsubishi Hvy 3½ 89XW	300	91⅛	91⅞	0	+0½	6.14
Mitsubishi Met 3⅛ 89WW	100	103⅝	104⅜	+3¼	+3⅞	2.16
Mitsubishi Met 3⅛ 89XW	100	87⅞	88⅝	+0¼	0	6.25
Pepsico O/S Fin 7¼ 94	250	103¼	104	−0⅛	−0⅛	6.67
Quebec Hydro 7⅛ 95	200	101½	102¼	+0⅛	+0⅛	6.86
Rente 7⅜ 95	100	102⅞	102⅞	+0¼	+0⅝	7.38
Renown 3⅛ 90	80	106	106¾	+0⅜	+3¼	1.77
Societe Cent Nuclear 8 91	100	105½	106¼	−0⅛	+0½	6.75
Sth African Tran 7⅜ 92	100	95¼	96	−0⅜	−1	8.44
World Bank 7¾ 89	100	103	103¾	−0⅛	0	6.63
World Bank 8 94	200	105¾	106½	−0⅛	+0½	7.01

Average price change On day +0⅛ on week +0½

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev Bk 6¼ 94	100	† 101¾	102	0	+0¾	5.98
Avon Cap Corp 5⅜ 94	130	† 99	99¼	−0¼	−0¼	5.49
Brit land Comp 6½ 99	75	† 103¼	103½	+0¼	+0⅛	6.13
Council of Europe 6 92	120	† 102	102¼	+0¾	+0½	5.63
Creditanstalt 5½ 94	100	† 98½	98¾	+0¼	0	5.69
Deutsche Bk Fin 5⅜ 95	100	† 100½	100¾	−0½	−0¼	5.28
E.I.B. 5⅞ 94	120	† 101	101¼	−0½	0	5.71
Export Dev Corp 5⅜ 92	125	† 100	100¼	+0¼	+0½	5.35
Gen Occidentale 4½ 94	60	† 102½	102¾	−0¼	+0¼	4.15
I C Industries 5⅝ 94	125	† 100	100¼	+0⅜	0	5.60
Ind Fund Fin 5¾ 94	40	† 100	100¼	−0½	−0½	5.73
Int−Am Dev Bk 6⅛ 94	120	† 102½	102¾	+1¼	+0½	5.75
N.Zealand steel 5¾ 96	70	† 98¼	98½	0	−0¼	5.95
Oberos Kltwk 5⅜ 95	100	† 98¼	98½	0	0	5.59
Ralston Purina 5⅜ 94	125	† 99¾	100	0	−0½	5.39
Santos Finance Ltd 6 94	130	† 98¾	99	0	+0¾	6.16
Tokyo Elec Pwr 5½ 93	120	† 100	100¼	0	0	5.47
Tokyo Metropolis 5¼ 94	80	† 98½	98¾	−0¼	−0¼	5.44
World Bk 5¾ 94	150	† 101	101¼	+0¼	−0¼	5.59

Average price change On day +0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Finland Republic 6¾ 90	15	100	100½	0	+0⅛	6.63
Gdyr Tr & Rubber 7⅛ 95	25	99⅛	99⅝	−0⅛	−0⅛	7.21
Mort Bk Denmark 7 92	10	100½	101	0	0	6.85
New Brunswick 7⅛ 95	10	101⅜	101⅞	0	+0¼	6.89
World Bank 6⅝ 90	25	100⅛	100⅝	+0⅛	+0¼	6.52

Average price change On day 0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia Com 12⅞ 90SA	125	101⅞	102⅞	+0¼	+0¼	12.21
Citicorp Aust 13½ 88SA	40	101⅛	102⅛	+0⅛	+0⅛	12.80
CSR Finance 13¼ 90 SA	40	101⅜	102⅜	+0⅛	+0⅛	12.71
Nissho Iwai 13¼ 90 SA	30	99¾	100¾	0	0	13.16
Amex 10¾ 90 CS	50	99⅞	100⅜	−0⅛	−0⅛	10.71
Genstar Fin 11¾ 95 CS	75	96⅝	97⅛	0	−0¼	12.30
Hamil−Went'th 10¾ 95CS	25	† 96⅛	96⅝	−0¼	−0¼	11.38
Loblaw Cos 11⅝ 92 CS	50	† 100	103½	+3	+3	10.92
New Brunswick 11⅜ 95CS	75	† 101½	102	0	−0½	11.31
Shell Canada 11¼ 92 CS	75	100⅝	101⅛	0	−0⅜	11.06
Winnipeg City 10⅝ 90CS	50	98⅝	99⅛	−0⅛	−0¼	10.93
BP Capital 16 88 NS	50	101	102	0	0	15.33
Danish Ex Fin 16⅛ 90NS	40	96⅛	97⅛	+0⅛	+0⅛	17.17
KB Ilima 16⅜ 90 NS	50	98⅛	99⅛	+0⅛	+0⅛	16.60
N.Z Govt. 9¼ 90 ECU	100	104⅛	104⅝	−0⅛	0	8.12
N.Z Govt. 9½ 92 ECU	100	104⅜	104⅞	+0⅛	+0⅞	8.58
Rabobank 9⅝ 95 ECU	75	107¼	107¾	0	+0½	8.46
Eurofima 7½ 92 FL	50	102½	103	0	0	6.97
Philips Lamps 7½ 90 FL	100	102¼	102¾	0	+0⅛	6.86
Rank Xerox 8 90 FL	100	104½	105	0	0	6.79
Van Lanschot 7½ 90FL	50	102⅛	102⅝	+0¼	+0⅛	6.91
World Bank 7½ 90 FL	150	102¼	102¾	+0⅛	+0¼	6.86
E.C S.C 11¼ 92 FF	300	101⅜	101⅞	+0⅛	+0⅛	10.88
Amer Express 11⅜ 92 £	30	103¾	104¼	0	−0⅛	10.49
Australia Comm 11 92 £	40	99½	100	−0⅛	0	11.03
BP Capital 10¾ 92 £	50	99¼	99¾	0	+0⅜	10.84
E.I.B. 11⅛ 93 £	50	101¼	101¾	0	+0⅛	10.80
GMAC UK Fin 10½ 90 £	30	98½	99	−0½	−0½	10.83
Imp Chem Inds 11¼ 95 £	75	101⅜	101⅞	−0⅛	+0⅜	10.96
Inco 12¾ 93 £	50	102¾	103¼	−0⅛	−0⅛	12.08
Mcdonalds 10⅞ 90 £	40	99½	100	0	+0¼	10.91
Privatbanken 11⅞ 92 £	20	99⅞	100⅜	−0¼	−0⅜	11.82
Rank Xerox 11 92 £	40	99⅜	99⅞	−0⅛	−0⅛	11.06
Royal Trustco 11⅜ 90 £	30	100⅛	100⅝	−0⅛	−0⅜	11.23
Ster Drug Cap 10⅞ 90 £	30	99⅝	100⅛	0	+0⅛	10.88
Tricentrol XW 11 92 £	35	94⅛	94⅞	0	+0½	12.21
Tsthouse Forte 11⅛ 90£	50	99¼	99¾	0	+0⅛	11.23
World Bank 11¼ 95 £	100	102⅝	103⅛	0	−0⅛	10.75
E.C.S.C. 10½ 94LF	100	104⅝	105⅝	−0⅛	−0⅛	8.62
Nat Lux Alum 10½ 92 LF	600	105⅜	106⅜	+0⅛	−0⅛	9.33

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Banco di Roma 5¼ 92	0	99	99¼	24/7	7.56	7.63
BankAmerica O/S 5¼ 96	0⅛	99¾	100	3/9	8⅛	8.14
Bank of Montreal 5 96	0⅛	100¼	100½	29/7	8¾	8.72
Bankers Trust 5 2000	0	99½	99¾	11/8	7.69	7.72
Bankers Trust 5¼ 96	0⅛	100⅛	100⅜	13/8	8.56	8.54
B.F.C.E. 5¼ 99	0⅛	100⅛	100⅜	13/9	10.06	10.04
B.N.P. 5¼ 96 (July)	0¼	99¾	100	22/7	9⅛	9.14
C.C.F. 5¼ 97	0	99⅜	99⅝	22/8	10⅝	10.68
Chase Man'tn 5 2000	0	99½	99¾	9/8	8⅝	8.66
Chase Man'tn 5¼ 2009	0⅛	99¾	100	5/9	7.81	7.82
Citicorp O/S 5¼ 96 Sep	0⅛	99⅜	99⅝	19/12	11.19	11.24
Credit Lyonnais 5¼ 95	0⅛	100⅜	100⅝	11/10	9.69	9.64
Ireland 5¼ 97	0	100	100¼	26/10	9.69	9.66
Ireland 5¼ 99	0	100¼	100½	14/8	10	9.96
Italy, Republic 5 94	0⅛	100	100¼	12/11	8⅞	8.86
Lloyds Bank 5¼ Perp	750	99¾	100¼	+0⅛	+0⅛	8.00
Midland Bank Perp 5	0¼	98⅛	99⅜	19/12	8⅛	8.19
Nat West Perp 5	0⅜	100⅜	100⅝	13/11	9⅛	9.06
Nat West Perp A 5¼ S	0¼	99¼	99½	9/1	8¼	8.30
Nat West Perp B 5¼ S	0¼	99¼	99½	9/8	5¼	5.28
Queensland Coal 5¼ 96	0¼	100⅜	100⅝	12/11	9	8.96
Roy Bk Canada 5 2005	0⅛	† 99⅜	99⅞	5/8	7⅞	7.90
Roy Bk Scot 5¼ 2005 £	0	96⅝	96⅞	2/8	12.81	12.97
Sweden Perp 5¼	0¼	99⅞	100⅛	9/1	8.31	8.31
Tokai 5¼ 99	0⅛	100¼	100½	12/12	8⅛	8.09

Average price change On day +0⅛ on week −0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	104⅞	105⅞	−0¼	4.26
Fanuc 3¾ 98	1/84	7032.3	138⅜	139⅜	−0⅝	34.09
Fujitsu 3 99	5/84	1320.8	74¾	75¾	−0⅜	15.36
Kumagai Gumi 3½ 2000	3/85	600	150⅞	151⅞	+3¼	1.89
Marui 3½ 99	7/84	1162	116	117	+1⅛	5.22
Mitsubishi Elec 2⅞ 00	3/85	422	90⅜	91⅜	−0¼	−1.85
Murata 3½ 99	2/84	2351.2	82	83	−0⅞	29.18
Murata 3½ 2000	7/84	2398	81⅜	82⅜	−0⅜	31.71
Nippon Elec 2⅞ 2000	1/85	1295	80⅛	81⅛	+0¼	17.39
Nippon Oil Co 3 2000	5/85	923	107⅞	108⅛	+0½	3.30
Nippon Oil Co 3¼ 99	3/84	1052	98⅞	99⅞	+0⅜	16.12
Olo Elec Ind 3½ 99	10/84	805	86⅞	87⅞	−0¾	28.37
Orient Leasing 5¼ 98	6/83	2680	105½	106¼	−5⅝	−3.30
Sekisui House 3 99	6/84	612	124⅜	125⅜	+2⅞	3.49
Sony Corp 2 2000	5/85	4578	82⅝	83⅝	−0⅜	6.67
Sumitomo Corp 2⅞ 99	5/84	593	130¼	131	−0¼	−2.03
Taiyo Yuden 3⅛ 2000	3/85	1078	88½	89	−1⅞	−3.46
Takeda Riken 3⅜ 2000	10/84	7663	† 77½	78½	+0½	43.63
Tokyo Sanyo Elec 3½ 99	12/84	772	91¾	92¾	+1¼	2.47
Toshiba Ceramics 3 2000	4/85	1734.2	77⅞	78⅞	−0⅛	3.91
Nippon Oil Co 2⅝ 92 SF	3/84	1052	† 107½	108	+0¼	19.06
Nippon Shinpan Co 2 92 SF	3/84	801	† 101	101½	−0½	13.08
Asics 5 92 DM	12/83	520	105¼	106	−0⅞	20.69
Sum Realty 6¼ 92 DM	2/83	338	† 310	311	−8	−4.33

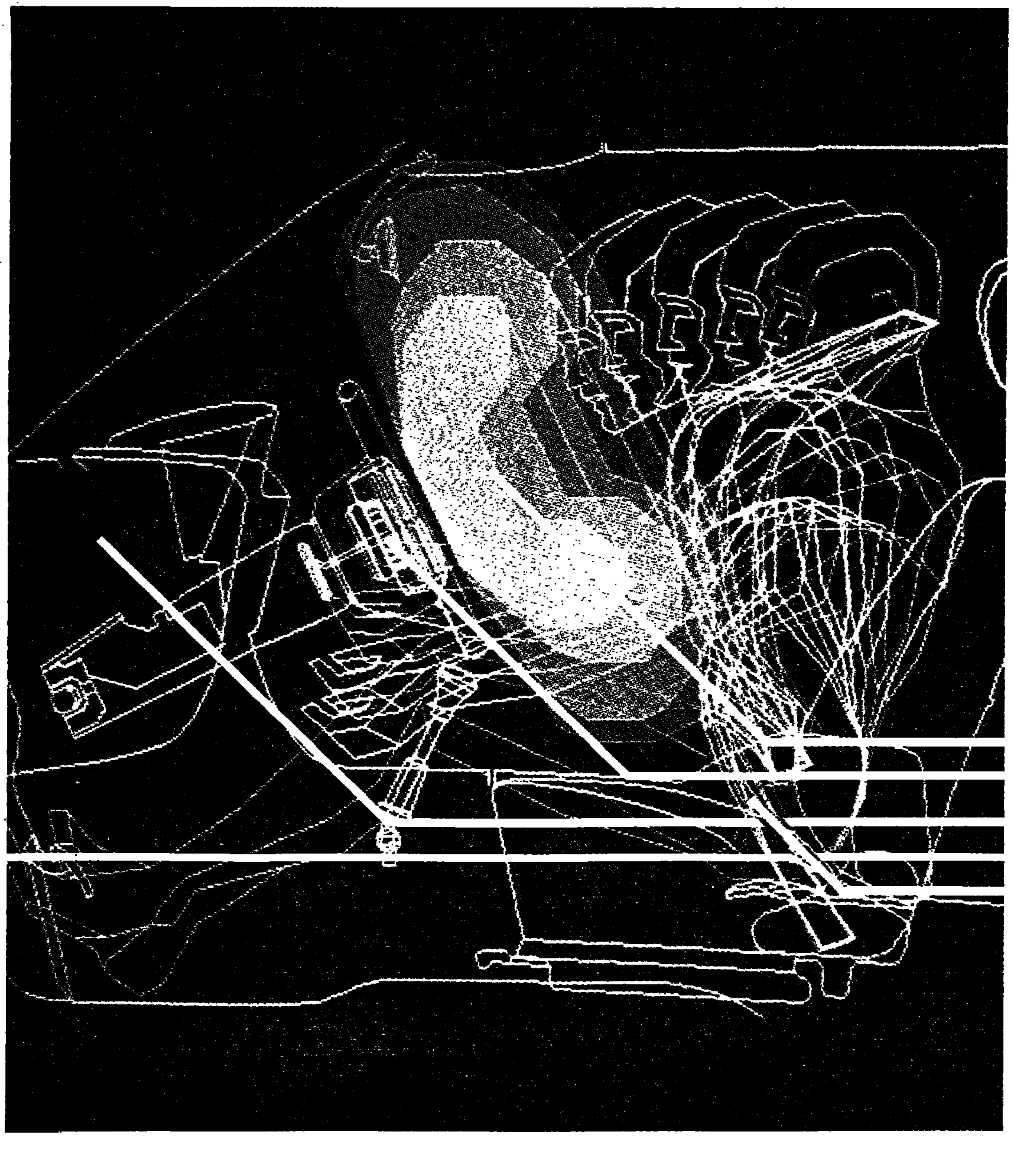
* No information available previous day's price.

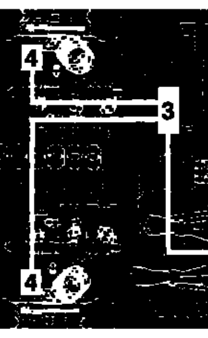
† Only one market maker supplied a price.

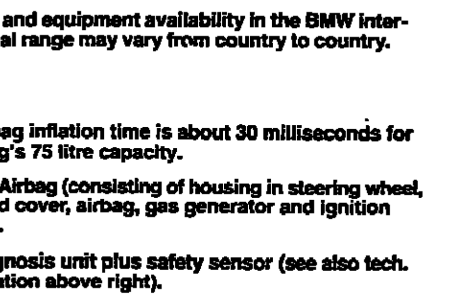
Straight Bonds: The yield to redemption of the mid price the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date = Date next coupon becomes effective. Spread = Margin above six-month offered rate (†† three month, § above mean rate) for U.S. dollars. C.cpn. = current coupon. Cu. yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.







Lachlan Drummond on a three-way battle for Australian retail market share

Coles bid for Myer checks Woolworths

G. J. COLES' A$970m (US$695m) takeover bid for Myer Emporium—the biggest ever launched in Australia—accurately reflects what is at stake: an unassailable lead in a retailing market that is already highly concentrated.

The boldness of Coles' thrust also suggests, however, that an early resolution of its bid is less likely than a defensive stand-off between the giants of the Australian retailing business. Such a result would represent an acceptable second prize for Coles—provided it could ensure that Myer did not move into a merger with Woolworths, its rival supermarket chain.

The defensive overtones of Coles' offer for Myer were clearly stated when the bid was announced last week: Coles is unwilling to be eclipsed by a combination of Myer and Woolworths. These two groups have been talking for some 18 months about possible ways of rationalising or exchanging various parts of their respective businesses. According to Myer, the talks have included the prospect of either company bidding for the other. Woolworths, meanwhile, has confined its comments to agreeing that talks on rationalisation were continuing.

Putting together Woolworths and Myer would create a new leader for the Australian retail scene with total sales for the year to January 31, 1984 of A$7bn, or 15 per cent of total retail sales, with Woolworths accounting for A$3.8bn.

Coles sales during the same 12 months were only A$5.8bn although combining Coles with Myer, which would create a group with A$9bn in sales, would be an even more devastating blow to Woolworths.

The latest turn in the battle for control of the retail dollar coincides with a recovery in consumer spending after almost four years of decline.

In addition, economic and demographic conditions appear likely to bring a further increase in the relative importance of discount retailing, which has provided most of the industry's growth over the last decade.

Last rationalisation

Alterations to trading hours and the introduction of electronic funds transfer at the point of sale (EFT-POS) systems are other emerging features of the Australian retail scene which, according to a recent study of the sector by Bain & Co, the Sydney stockbrokers, are likely to benefit the department and chain store groups.

The current three-way manoeuvring promises to be the last round of rationalisation in the industry. Coles, Woolworths, Myer, and the David Jones group already account together for some 30 per cent of total retail sales. Only in the grocery retailing area do they face any concerted competition.

The most recent wave of rationalisation began two years ago when the Myer group bought for A$230m the Grace Bros Holdings department store chain in the state of New South Wales, though it did so only after a 12 month stand-off with David Jones, Waltons Bond, and Woolworths, the other major shareholders.

That takeover was precipitated in 1983 by Woolworths' bidding for Grace Bros, then withdrawing—a confused step which, however, revealed its ambitions to move further into the higher margin departmental store area. Woolworths, with 58 per cent of its sales from food, is by far the most dependent on food sales of the big four, although as the Bain research shows, its national share of branded grocery sales of 21.2 per cent still trails Coles by 1.6 percentage points.

Woolworths, which is unconnected to the U.S. or British groups of the same name, has pushed into specialist retailing in electronics and electrical goods as a means of developing higher margin growth. It is attacking with renewed vigour the discount department store area and is opening more of its Big "W" chain outlets.

This chain currently has sales of some A$400m, overshadowed both by the roughly A$1.3bn of sales from Coles' comparable K mart operation and the A$600m sales of the Myer group's Target chain.

It is the prospect of joining the Big "W" and Target stores that has occupied most of the talks between Woolworths and Myer in recent months, although in current circumstances the serious prospect remains of the two companies joining forces completely.

Wayward performance

For its part, as well as Target, Myer would contribute the only national department store chain, though it sells little food.

Such a combination would marry weakness and strength, although given the wayward profit performance of Myer in the past five years and the relative under-performance of Woolworths when set against Coles, there are natural doubts about the ability of a Myer-Woolworths grouping to capitalise fully on its advantages.

Coles, though, clearly has fewer doubts. Earlier this year it snared 10 per cent of Woolworths to ensure it a say, should any party seek to gain full control. Now it owns almost 20 per cent of Myer and is bidding for the remainder.

The company, and the investment community, meanwhile have few doubts about Coles' ability to win full benefits from a combination with Myer.

Such confidence is backed up by its record of 20 per cent compound profit growth in the past decade and a doubling of market share to 13 per cent in seven years. Much of that growth has come on the back of its K mart operations, where in 1979 it bought out its U.S. partner—but took it in as a 20 per cent shareholder of Coles itself—and has since expanded from 40 outlets to 95.

So far Coles has recevied only negative signals from the Myer camp. The family, holding 22 per cent, has rejected the bid as too low while Mr Solomon Lew, a director and supplier to Myer, has bought a further one per cent to take his holding to 13 per cent.

Shares owned by the Grace family, with 3 per cent, various superannuation funds, and the Westfield property group (landlord to Myer, Coles and Woolworths, though particularly the former) with 13 per cent, mean the board has the backing of some 50 per cent of the equity.

The board therefore retains the whip hand, and control of Myer can change hands only if it so wishes. Its options are extensive and are currently being fully explored.

The market, meanwhile, is keeping the Myer share price above the A$8 cash offer.

Japan's securities houses forecast record profits

BY YOKO SHIBATA IN TOKYO

FINANCIAL liberalisation at home and abroad, together with continuing expansion of the Tokyo capital market, underlie forecasts of record profits in the year ending September by Japan's four leading securities houses.

Slowing commission income from equities business has been more than offset by that from bond market dealings, especially in U.S. Treasury issues, and by the favourable performance of the investment trust sector.

Among the four houses, Nomura expects pre-tax income to rise 48 per cent to Y200bn ($833m) for the year; Daiwa forecasts a 53 per cent increase to Y120bn; Nikko a 51 per cent increase to 110bn; and Yamaichi a 53 per cent increase to Y100bn. The forecasts are prompted by the securities companies' reports to the Ministry of Finance on their nine-month earnings.

The four houses' combined income from stock exchange commissions dropped markedly between the first and second quarters of the caledar year, partly reflecting a 9 per cent decline in the volume of share transactions on the Tokyo stock exchange.

The figures also indicates that dealings in foreign bonds, primarily U.S. Treasuries, reached anywhere between 30 and 40 per cent of the securities houses' total bond transactions in th April-June quarter.

This trend appears to be the results of wider spreads on U.S. government bond yields than on domestic bonds—a development which the securities houses blame on the Japanese banks' more active participation in the domestic bond market, which has narrowed spreads.

ACM gives the go-ahead for Westonia gold mine

BY KENNETH MARSTON, MINING EDITOR

AUSTRALIAN Consolidated Minerals has given the go-ahead for another small gold mine, the Westonia project situated 280 km east of Perth in Western Australia. The estimated pre-production cost of A$13m (£6.6m or U.S.$9.2m) is being funded under a facility arranged by European Banking of London.

The open-pit property is expected to be in production by next May and ACM estimates that it will produce 183,000 oz of gold in the first four years of operation, working on an average gold recovery grade of 1.13g per tonne of ore.

Ore reserves have been upgraded to an estimated 2.82m tonnes, giving a mine life of some six years. ACM expects to find additional ore in the drilling of adjacent areas where mineralisation is open.

● Bridge Oil, the Australian energy company which also operates the Aredor diamond mining concession in Guinea, has raised its stake in National Oil from 19 per cent to 35.3 per cent and has raised its takeover offer from 70 cents to 80 cents a share, our financial staff writes.

Bridge launched its original offer in early May for National, an exploration company with onshore permits in Queensland, Victoria, and Western Australia. National directors rejected the offer, which valued the whole company at around A$17.5m, as "grossly inadequate."

In a statement issued yesterday, Bridge said that its offer was no longer subject to the requirement of 90 per cent minimum acceptance. This was because Bridge had secured more than 20 per cent of National's shares before issuing *its formal offer documentation,*

JAPANESE COMPANY RESULTS

FANUC
NUMERICAL CONTROL SYSTEMS

Year to	Mar '85 Y	Mar '84 Y
Revenues (bn)	145.7	117.9
Net profits (bn)	25.25	18.76
Net per share	234.25	223.29
CONSOLIDATED		

FUJI ELECTRIC
ELECTRIC MACHINERY MAKER

Year to	Mar '85 Y	Mar '84 Y
Revenues (bn)	507.7	470.2
Net profits (bn)	9.6	5.48
Net per share	17.24	11.15
CONSOLIDATED		

FUJISAWA PHARMACEUTICAL

Year to	Mar '85 Y	Mar '84 Y
Revenues (bn)	199.64	206.49
Net profits (bn)	5.73	10.98
Net per share	21.92	44.55
CONSOLIDATED		

GENERAL SEKIYU
OIL REFINER

Year to	Mar '85 Y	Mar '84 Y
Revenues (bn)	726	759
Net profits (bn)	0 3	7.15
Net per share	2.73	63.44
CONSOLIDATED		

MITSUBISHI METAL
COPPER SMELTER

Year to	Mar '85 Y	Mar '84 Y
Revenues (bn)	567.83	464.04
Pre-tax profits (bn)	20.34	120.2
Net profits (bn)	6.19	4.89
Net per share	11.2	9.49
CONSOLIDATED		

MITSUBISHI RAYON
ACRYLIS FIBRE MAKER

Year to	Mar '85 Y	Mar '84 Y
Revenues (bn)	310.2	311.8
Net profits (bn)	5.53	3.19
Net per share	12.06	8.31
CONSOLIDATED		

NIPPON LIGHT METAL
ALUMINIUM SMELTER

Year to	Mar '85 Y	Mar '84 Y
Revenues	440.92	412.57
Net profits (bn)	†1.78	21.73

† Loss

CONSOLIDATED

NIPPON MINING

Year to	Mar '85 Y	Mar '84 Y
Revenues (bn)	1,272	1,314
Net profits (bn)	4.12	6.28
Net per share	5.31	8.39
CONSOLIDATED		

NIPPON SHINPAN
CONSUMER FINANCE

Year to	Mar '85 Y	Mar '84 Y
Revenues (bn)	178.08	154.55
Net profits (bn)	8.98	8.87
Net per share	36.84	41.95
CONSOLIDATED		

NISSHO IWAI
TRADING HOUSE

Year to	Mar '85 Y	Mar '84 Y
Revenues (bn)	9,203	8,303
Pre-tax profits (bn)	20.53	13.6
Net profits (bn)	10.83	5.67
Net per share	19.56	11.49
CONSOLIDATED		

Legacy of political interference weighs heavily on ENI recovery

BY JAMES BUXTON IN ROME

ENI, the Italian state energy group, is in hot water. Press and politicians in Italy are blaming it for sending the lira into a spin on Friday by an ill-timed purchase of $125m.

Until a year or two ago ENI was almost permanently at the centre of controversy. But all that changed when Professor Franco Reviglio, took over in March 1983. He has succeeded not only in getting ENI's losses *down 16 fold in a year, to only* L88bn in 1984 on sales of L45,000bn but had also kept ENI out of political trouble.

He had, therefore, done exactly what was expected of him when he took over the chairmanship in March 1983. In *the preceding five years ENI* had had six chairmen, its name was sullied by involvement in several major scandals and in the years 1982 and 1983 it lost more than L3,000bn.

Yet several years' hard struggle still lie ahead of the group, which *Sig Reviglio* likes to call "the eighth big sister" on the basis of its 500m tonnes of recoverable oil reserves.

- It is particularly threatened by competition from Opec countries in both petroleum products and commodity chemicals.
- It has to grapple with an Italian petroleum products market in which hardly any company has made money for years.
- It is also obliged to wrestle with the consequences of past decisions by politicians who forced ENI to take over bankrupt chemical operations, heavily loss-making tile manufacturers and set up a stock of costly nuclear fuel for power stations which they largely failed to get built.

But Sig Reviglio, who belongs to the Socialist party and is an economist by profession, is in no doubt how ENI can meet these challenges. ENI's role, he says, "is to be a group of enterprises that operate with the standard of a private company but which must attain certain objectives of a national kind." Those objectives include being the main supplier of energy to a country notoriously lacking in energy resources, and to give high priority to the problems of Italy's balance of payments.

These objectives make the achievement of high profits in the near future unlikely, but the turnround so far has been striking, with losses cut from L1,449bn in 1983 to last year's L88bn. This was achieved in three main ways.

First, ENI's oil subsidiary AGIP moved away from an excessive and costly dependence on long term oil supply contracts, which had caused enormous stock losses in the past, and bought more crude on the spot market.

Second, the chemicals sector, grouped under Enichem, benefited from both an upturn *in demand and from better* management, and cut losses from L704bn to L180bn.

Third, ENI restructured its immense debt of L18,000bn to reduce dependence on the dollar and obtain better borrowing terms. Refinancing of much *of the dollar part of the debt* produced a reduction last year *in foreign exchange losses of* L589bn—an improvement not far short of the jump of L834bn in *operating* profits which totalled L2,798bn.

ENI can be divided into *roughly four parts. There is the* energy division, grouped around Agip, where sales last year totalled L34,736bn — nearly 77 per cent of the total group turnover. Then there is the chemicals division, centred on Enichem, with sales last year of L6,192bn.

Next there is a cluster of strong companies which operate engineering—Saipem, in drilling and pipelaying, Snamprogetti in plant engineering and contracting, and Nuovo Pignone, in turbines and compressors. Saipem was partially privatised last year by floating 20 per cent of its equity on the Milan bourse, some of it to foreign investors.

Finally there are what ENI calls the "sectors in crisis"—mining, textile machinery and textile making.

The energy sector's main task is to meet Italy's energy needs—and for this reason Agip is going against the trend of many major oil companies by stepping up exploration activities. Agip supplies oil and petroleum products, and also coal and gas. The latter is one of ENI's major sources of income, since in addition to importing foreign gas supplies it produces gas from Italy's own substantial gas fields, where much of the equipment is amortised and sells it at a price linked to the price of crude. This income is worth about L2,000bn a year to ENI in cash flow.

Yet in meeting Italy's petroleum needs ENI loses money—

Franco Reviglio: At work on a striking turnround

about L1,000bn last year. At the upstream end of the process ENI uses ageing refining capacity which is easily undercut by cheap products on offer from new refineries in the Arabian peninsula. Downstream, the Italian distribution system is riddled with restrictions which prevent almost every oil company from making money.

Sig Reviglio has allowed Agip to import products, and is slowly tackling the politically delicate problem of closing refining *capacity. "Our refining capacity* is still far higher than our needs, but there is a limit to how far we can cut, and we have to have capacity for strategic reasons."

It is in chemicals that Sig Reviglio is likely to face his greatest challenge and where he has spoken of having to make "frightening decisions." It is an area where the need to bolster Italy's balance of payments assumes top economic priority and where ENI intends *to do nothing less than create* a new Italian chemical industry.

Enichem consists mainly of the relics of other failed chemical operations which the State was obliged to take on in the early 1980s and 90 per cent of operations are in commodity chemicals — low value-added products which are most vulnerable to competition from Saudi Arabia, like ethylene, PVC and synthetic rubber.

Although Enichem's losses declined dramatically in 1984, this was largely because of external factors and partly to greater efficiency. Value added did, however, rise to 20 per cent compared with 11 per cent in 1981, though Sig Reviglio admits that value added is declining this year.

In the next five years Enichem plans to make big cuts in the proportion of activities made up by commodity chemicals and to concentrate on high value added products, mainly through joint ventures with multi-national companies. "This requires a real revolution, cultural, economic, financial and human," says Sig Reviglio. "We need different men and different experience. We will be investing about L1,000bn a year."

Where will the money come from? "We have a strong capacity to generate cash flow which we can invest. The rest will come from *our* shareholder," in other words, the Government.

"ENI does produce wealth now, but it is burnt up by the sectors in crisis," says Sig Reviglio. Nowhere in the ENI organisation are the losses more glaring than in the textile and mineral sectors. The textile sector, headed by Lanerossi, last year scored losses that amounted to 65 per cent of turnover — L125bn out of L192bn.

In the mineral sector, headed by Samim, losses were L356bn on sales of L932bn. In both cases *losses* were *substantially* worse than in 1983, but Samim did experience a 65 per cent jump in sales, thanks in part to improved metals prices.

These are probably the worst corners of the ENI empire, sectors which have little logical place in an energy company, but which were forced on ENI by politicians who could not stomach the loss of jobs that any serious rationalisation would require. Under Sig Reviglio a start has at last been made on restructuring Lanerossi, but so deep-seated are the problems that it is reckoned it will take another three to four years to achieve results.

Eventually Sig Reviglio would like to be able to consider *selling off these businesses*, in the way that IRI has done with some of its peripheral operations. "There is no veto of an ideological kind on privatisation, but you can't sell businesses that haven't been revived," he says.

UK COMPANY NEWS

Throgmorton Tst. in £115m bid

BY CHARLES BATCHELOR

Throgmorton Trust, the London-based investment trust, yesterday launched its second attack over the Scottish border in just over two years with a £115m takeover bid for Scottish Northern Investment Trust (SNIT) of Aberdeen.

SNIT made a muted response to the Throgmorton approach saying it was "considering carefully this proposed offer and also investigating potential alternatives." It advised its shareholders to take no action.

Throgmorton caused a storm in March 1983 when it launched a successful £52m takeover bid—the first contested bid between two investment trusts—for Pentland Investment Trust. Scottish money managers complained that their financial independence was being undermined by financial groups from south of the border.

However, Mr Fred Dalgarno, investment manager of SNIT, said he did not think his board would use that argument if it rejected the Throgmorton approach.

"That is a card that should only bep layed in particular circumstances," he said. "It is difficult for one investment trust to argue that it has a strategic importance for Scotland. But if there were both English and Scottish bids it might be preferable to go for the Scottish bid on logistical grounds."

The Scottish company first attracted the attention of would-be bidders when it announced in May that its investment managers would be joining Stanecastle Assets, a fast-growing Edinburgh management group run by Mr Willie Forsyth.

SNIT is the only remaining investment trust to be managed from a solicitor's officePaull & Williamsons of Aberdeen.

The Stanecastle announcement prompted approaches to SNIT from a number of financial groups from both sides of the border.

Throgmorton said it held amicable discussions with SNIT over the past few days but the knowledge that several approaches had been made to SNIT had prompted Throgmorton to announce its bid.

Mr Tristan Hillgarth, a director of Throgmorton Investment Management, said he hoped to reach agreement with SNIT on the bid.

Throgmorton is making a part-share, part-cash offer to be priced according to a formula relating to the net asset value of both companies' shares on the dav the offer goes unconditional.

For every 100 SNIT shares Throgmorton is offering an amount in cash equal to 50 per cent of SNIT's asset value and a number of new Throgmorton shares to be calculated by dividing 106 per cent of 50 per cent of the SNIT asset value attributable to these shares by the Throgmorton asset value.

Mr J. A. Yeoman, chairman of Scottish Northern

On the basis of estimates of net asset values on the eve of the bid announcement the offer would result in a holder of 100 SNIT shares receiving about £81 in cash, including a special interim dividend of 2p for each SNIT share, and 30.5 new Throgmorton shares.

This would value each SNIT ordinary share at about 150p and SNIT's total share capital at £115m. Throgmorton already owns 1.25m SNIT shares, equivalent to 1.6 per cent of the equity.

Throgmorton had net asset value per share of 307.4p at its interim reporting date of May 31, an increase of 38 per cent in the year, and total net assets of £172m. SNIT had net assets at March 31, its year-end, of about £127m.

Both companies specialise in investments in smaller companies. Throgmorton had 84 per cent of its portfolio invested in the UK in November 1984 with a further 14 per cent invested in the U.S. SNIT had 71 per cent of its portfolio in the UK in March 1985 and 20 per cent in the U.S.

Throgmorton said it would take on the SNIT management team if its bid succeeds and it would open an office in Scotland. In addition, two of SNIT's non-executive directors would be invited to join the Throgmorton board.

Throgmorton is being advised by Charterhouse Japhet, the merchant bank.

SNIT's shares rose 3p to 142p while Throgmorton fell 3p to 225p.

See Lex

Yellowhammer heads for Unlisted market

BY LUCY KELLAWAY

Yellowhammer, the third advertising or marketing company to join the USM in the last fortnight, is being brought to market by James Capel, who are placing 2.6m shares at 110p each.

The bulk of the shares in the placing are being sold by the company's chairman and managing director, Mr Jon Summerill and the creative director Mr Jeremy Pemberton. The 360,000 new shares will raise about £250,000 after expenses for the company, which at the placing price is valued at £11.4m.

Yellowhammer is an advertising agency with a client list including such names as Barclays, British Telecom, Mitsubishi and the Tatler.

The company prides itself on its reputation for creativity.

Barclays Bank accounted for 41 per cent of group turnover last year and a further 12 per cent was taken up by Barclay card. However the company expects this dependence to drop sharply this year and next as the importance of other customers grows. British Telecom, Trusthouse Forte and IPC are all significant customers which have been taken on in the last year.

About three-quarters of agency turnover comes from "above the line" media advertising, with the remainder from design, sales promotion and other "below the line" activities.

Alongside the agency, Yellowhammer also runs a studio which does artwork and provides other production services both to Yellowhammer and to other advertising agencies. The studio, which is organised into a separate operating subsidiary last year accounted for about 15 per cent of group profits.

Yellowhammer's turnover and profits have grown rapidly over the last five years despite a hiccup in 1982. Last year, pre-tax profits were £779,000 and the company is forecasting a figure for the year to March 1986 of not less than £1,150,000.

That would put the shares on a prospective earnings multiple of 17 after a 42 per cent tax rate. On a forecast dividend of 1.6p, the shares yield 2.1 per cent at the placing price. Dealings start next Monday.

Forshaws makes cash call for £3.2m

By Stefan Wagstyl

Forshaws Burtonwood Brewery, which last year failed in a £13.4m cash bid for Border Breweries, has launched a £3.24m rights issue to help fund the redevelopment of its brewery.

The family-controlled company is offering two shares for every nine held at 360p each. The group's shares were unchanged at 440p on the stock market yesterday.

Forshaws plans to invest the funds first in a new kegging plant at its brewery near Warrington and then to extend the bottling stores. Later it intends to invest in renewing plant in the brewery itself, which was founded in 1867.

Mr Graeme Dutton-Forshaw, chairman and chief executive, said: "We have got a fairly old brewery and we have got to start renewing it now."

Since Mr Dutton-Forshaw took control in 1983, the group has undertaken a busy programme of reorganisation and renovation. Some £10m is being spent upgrading the company's public houses and hotels.

Last month the company announced pre-tax profits for the year to the end of March were up from £2.36m to £2.8m on a turnover ahead from £22m to £25.3m.

Mr Dutton-Forshaw said that the company was still looking actively for acquisitions.

The rights issue has been underwritten by merchant bank Samuel Montagu. The Dutton-Forshaw, Gilchrist and Almond families who together speak for some 52 per cent of the equity are not taking up their entitlements in full. As a result their stakes are expected to fall to about 45 per cent.

Guinness gets green light in £290m bid for Bells

THE £290m bid by Guinness for Arthur Bell, the Scotch whisky distiller, is not to be referred to the Monopolies and Mergers Commission it was announced yesterday by the Department of Trade and Industry.

The decision not to refer the bid comes after intensive parliamentary lobbying by both Guinness and Bell.

Scottish MPs said yesterday that the green light for Guinness marked the end of the "tartan ring fence"—the Government's past tendency to refer takeovers involving Scottish companies to the Monopolies Commission on grounds of regional policy as well as competition.

Mr Raymond Miquel, chairman of Bell, said that while he was concerned at the Government's decision, his company was confident that it would fight off the bid as it was not in its interests or that of its shareholders.

Mr Ernest Saunders, chief executive of Guinness, said: "this clearance recognises the unique credentials of Guinness as a partner for Bells and our ability to contribute to the development of Scotch whisky. It is increasingly recognised by investors that our offer is a full and fair price." He said there were no credible arguments to justify an increased offer for Bell.

Last week Guinness announced that by the first closing date of its bid, acceptances had been received from the holders of 5.04 per cent of Bell's shares.

Scottish nationalists yesterday accused Bell of being half-hearted in its lobbying efforts. Mr Gordon Wilson, one of the two Scottish National Party MPs at Westminster, said: "there was no attempt to mobilise the Scottish lobby as oceurred in Hiram Walker's bid for Highland Distillers in 1980 or the bids for the Royal Bank of Scotland in 1981. The Department of Trade and Industry decision opens the door for international predators to swallow up even more independent Scottish companies."

In the last five years there have been three Monopolies Commission Reports on takeover bids for Scottish companies which examined the implications for Scotland. These were Hiram Walker of Canada's bid for Highland Distilleries, the bids for the Royal Bank of Scotland by the Hongkong and Shanghai Banking Corporation, and by Standard Chartered Bank; and the Chartered Consolidated bid for Anderson Strathclyde.

However, last year Mr Norman Tebbit, the Secretary of State for Industry, made a Mergers Policy statement in which he said the issue of competition was paramount in any referral.

Guinness, in its offer document for Bell, attempted to assuage Scottish nationalist fears by saying that the company would continue to be managed from Perth if its bid was successful. Mr Saunders has spent a considerable time in Scotland since the bid was launched, and has given assurances about job security at the company, which employs nearly 2,000 people in its whisky, glass, transport and hotels activities. Mr Miquel, however, has warned of the adverse effect on employment should Guinness be successful in its bid.

Guinness is offering nine of its shares for every 10 of Bell's, with a cash alternative of 225p. The Guinness share price closed last night down 6p at 244p, valuing Bell at 219.6p. Bell closed up 10p at 245p.

See Lex

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
AAH Holdings†	4.13	Oct 14	3.75	6.79	6.18
Meldpum Inv .... int	2	Sept 6	1.5	—	4.5
Ocean Wilsons	2.2	Aug 23	2.2	2.95	2.95
Alfred Preedy	2.88	Oct 1	2.75	3.88	3.5

Dividends shown pence per share net except where otherwise stated.
† On capital increased by rights and/or acquisition issues.

Rowland Gaunt profits doubled

WITH BOTH the retailing and manufacturing sides of the group developing well, Rowland Gaunt has doubled its pre-tax profits in the six months to April 30 1985, from £30,000 to £60,000, although the comparable figure does not include any results of the parent company.

This Leeds-based clothing manufacturer and wholesaler reversed into two garment makers, Beau Brummel and Wisehouse, last August, and after having its listing suspended in April 1984 began trading on the USM last September.

The number of concessions operated by Wisehouse within major high street multiples has since doubled, and as a result it has increased both sales and profits.

Turnover amounted to £3.38m against £2.6m, and the directors say that the results for the first half trading are most encouraging. There has been a further emphasis within the group towards retailing and distribution of boys' and young men's casual wear.

In view of the first half results and the sales trend in the second half so far, they are confident that profits for the year to end-October will be well ahead of the £228,000 last year. The board intends to recommend a final dividend.

In late may the group acquired Henry Barrie, a Manchester-based schoolwear retail business which in turn owns the minority interest in Barrie Schoolwear.

Beau Brummel's sales have shown an increase of more than 20 per cent compared to last year, largely due to the significant increase in trouser production.

As a result of these developments, profits in the period were ahead of forecast. The board anticipates a further increase in the second half when sales profits are customarily higher for seasonal reasons.

The group has developed its computerised accounting controls and extended warehouse capacity in Leeds, which should generate increased profits.

After minorities adding £6,000 (£4,000) and a tax charge of £25,000 (nil), retained profits emerged higher at £41,000 against £34,000.

Stated net earnings per 25p share are lower at 1.44p (2.15p), calculated on 2.844m (1.58m) outstanding shares.

Mills and Allen buys U.S. market researcher

BY DAVID GOODHART

THE FINANCIAL services group, Mills and Allen International, has acquired Nabscan/National Scanning Services Inc, the largest collector of retail scanning information in the U.S.

The deal, through its U.S. market research subsidiary, Mediamark Research Inc, was described as a modest investment by Mr Clive Hollick, managing director. The price is understood to have been less than $6m (£3.55m).

Nabscan, which, according to Mills and Allen is breaking even, collects national supermarket sales data from checkout scanners in a national panel of 900 supermarkets which pick up product brand information from the bar codes on the products.

It has been going through a development stage for the past five years. Mills and Allen believes it is in a position to improve its share of the 250m dollar market research sector. At present Nabscan holds less than 1 per cent.

Mr Hollick said that Nabscan could provide a uniquely detailed store-by-store analysis every week "which amounts to a very powerful tool for marketing." Present clients include Procter and Gamble and Pepsi-Cola.

Mills and Allen's share price rose 5p to close at 320p.

Yearlings

The interest rate for this week's issue of local authority bonds is 11¼ per cent, down ⅛ of a percentage point from last week, and compares with 11⅞ per cent a year ago. The bonds are issued at par and are redeemable on July 30th 1986.

Chrysalis' debut better than expected

Dealings in Chrysalis Group, the record company that has come to market via a merger with MAM, yesterday got off to a slightly better than expected start with the shares opening at 170p, a 30p discount to the 200p offer price. They traded steadily throughout the day to close at 171p.

The offer had met with a very poor reception in the City, and nearly 95 per cent of the 4.3m shares were left with the underwriters. The price was fixed more than a month ago, since when the leisure sector has fallen by about 11 per cent, and the market had been expecting the shares to start trading at about 160p-165p.

One jobber described dealings yesterday as "very encouraging" and said "we had no problems in placing the stock."

UK COMPANY NEWS

AAH up despite miners' strike

STRONG performances by solid fuel, pharmaceutical supplies and road haulage enabled **AAH Holdings** to meet its profits forecast for 1984-85 and lift its dividend for the sixteenth successive year.

Although the miners' strike affected both the solid fuel and builders' merchants activities group pre-tax profits for the 12 months, to March 31, improved from £10.47m to £11.25m, an increase of 7.4 per cent.

In March, at the time of the £15m acquisition of Vestric, the Runcorn-based pharmaceutical wholesaler, the directors forecast that profits would be not less than £11m. Market analysts were also looking for profits at about that level.

As promised, shareholders are to receive a 10 per cent lift in their total dividend to 6.7941p, the final being 4.1261p net per 25p share.

No account of the results of Vestric were included in AAH's year-end figures. However, the company's performance has more than matched the forecast made at the time of purchase and despite the highly competitive nature of the industry, all of the group's pharmaceutical businesses have made an excellent start to the current year.

Mr Bill Pybus, the chairman, says the 1984-85 year saw a major step in the group's diversification programme through the acquisition of Vestric. Including Vestric, AAH is now the biggest wholesale pharmaceutical distributor in the UK.

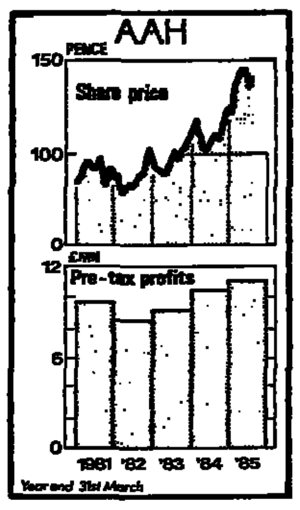
Group turnover for the year under review edged ahead from £501.6m to £521.1m. Trading profits improved to £12.96m (£12.49m) and broke down by division as to fuel distribution —solid fuel £6.68m (£6.22m) and oil £0.83m (£0.39m)—builders' supplies £1.36m (£2.42m), pharmaceutical supplies £2.01m (£1.25m), road haulage £1.09m (£0.75m), environmental services £0.91m (£0.95m) and engineering and miscellaneous £76,000 (£10,000).

Fuel distribution accounted for 51.5 (49.8) per cent of group trading profits and pharmaceutical supplies for 15.5 (10) per cent.

The miners' strike affected trading in solid fuels throughout the year, although limited supplies of coal from the NCB Midlands collieries, together with imported fuels, helped to maintain a service to the majority of customers. Although sales were down by around 6.6 per cent this was mainly due to the non-availability of supplies for the export market.

Mr Pybus says the resurgence of domestic demand in the final quarter, however, aided by much colder weather, enabled the inland solid fuel division to finish very strongly and help lift the division's overall trading profits by 7.4 per cent.

Builders' merchanting was buoyant in the early part of the year but suffered when VAT became chargeable on building improvements on June 1. The merchanting companies in Scotland and the Midlands fared marginally better but the miners' strike directly affected trading in the Northern region and South Wales.



Mr Pybus says the transport companies overall produced outstanding results and the pharmaceutical division met the challenge of unremitting price competition in the wholesale market and produced substantially better results overall.

Group trading in the first quarter of 1985-86 has been encouraging and the chairman is confident that future reports will demonstrate the success of recent developments.

● comment

AAH Holdings suffered far less from the miners' strike than either the company or the City had expected. The company was able to make good shortfalls in NCB coal supplies by turning to imports to take advantage of the winter's late cold spell. Road haulage profits meanwhile were buoyed by moving coal to the power stations, winning contracts at the expense of British Rail which the group has been able to retain after the end of the strike. Only the builders' supplies business, where the NCB is a major customer, suffered badly from the strike, making a loss in the fourth quarter. For the current year, however, the market's main interest is in the newly-expanded pharmaceuticals division, which has become the UK's largest pharmaceuticals distributor in the wake of the Vestric acquisition. This purchase should be the main reason behind a strong advance at AAH this year perhaps to £16m pre-tax. At 139p, up 5p, the shares are up with events, trading on a multiple of about 9 (39 per cent tax). But they are well protected from adversity in a difficult market by the 7 per cent yield.

Reed Intl. profits up after first quarter

TRADING PROFITS of Reed International for the first three months to June were in line with budgets and ahead of the results for the equivalent period last year, Sir Alex Jarratt, the chairman, told the annual meeting.

These results reflected a good recovery in UK paper-making and had been achieved in spite of difficult trading conditions in the UK advertising market, which had affected the group's consumer magazines.

Sir Alex said it was far too early to make any predictions of the outcome for the current year. For the year ended March 31 1985 the group made record pre-tax profits of £107.5m (£96.4m) on turnover of £2.12bn (£2.04bn).

The chairman reaffirmed that following the actions taken by the group, there were unlikely to be any problem areas requiring major provision in the current year—a recurrent theme of the past. Also, Reed's financial situation was such as to give it ample elbow room to develop further both organically and by acquisition.

Sir Alex will be retiring from the company at the end of this month and he is to be succeeded by Mr Leslie Carpenter.

Hampton Trust expands rapidly and profits soar

FOLLOWING a year of rapid growth, mainly by acquisition, Hampton Trust saw income grow by 2½ times and pre-tax profits almost six times larger.

Gross trading income, for the year to the end of March 1985, rose from £447,000 to £1.16m with pre-tax profit up from £119,000 to £677,000.

The comaany more than doubled its property investments from £7m at the beginning of the year to £17m at the year end. Of this growth £7.5m was by acquisitions and £2.5m by revaluations. The net asset value for the whole company grew by 73 per cent to 35.8p (20.7p).

In December last year the Australian mining interests were restructured through the flotation of Mount Martin Gold Mines, in which Hampton holds a 50.6 per cent interest. The results include Australian rental and mining income to the date of the flotation and afterwards income was consolidated in the group accounts.

The mining income included royalties of £12,000 (£24,000) from the Mount Martin mine. Since April a new treatment plant has been in operation and an increase is expected in royalties in the present year.

During the year the investment was increased in oil and gas wells in the U.S. through the participation in the drilling of 16 wells. The cost of three dry wells was written off in the year.

The remaining wells were completed, but only made a contribution in the latter part of the year. The company has a total of 19 wells in production.

Profits on trading activities was £901,000 (£270,000) and the pre-tax figure was struck after taking into account other income of £786,000 (£128,000) which was mainly profit from the sale of fixed assets and investments and interest received of £55,000.

In the present year Hampton has expanded its property portfolio by a further £1.7m. About 64 per cent of the company's interests are in shops, 14 per cent in offices and 22 per cent in industrial/commercial.

The directors say that net rental income will be £1.68m a year. That is expected to rise on a continuous basis throughout the next five years to £2.35m on present values.

Crescent Japan raises net assets

Crescent Japan Investment Trust raised net asset value to 151p per 50p share as at June 30, 1985, against 143.2p a year earlier.

Earnings per share for the half year period however, showed a fall from 0.42p to 0.31p. Pre-tax profits were down from £261,000 to £175,000, subject to tax of £70,000 (£121,000).

Investment income totalled £307,000 (£362,000) and interest receivable added £47,000 (£71,000). Administration expenses were similar at £173,000 (£172,000) and interest paid took £6,000 (nil).

New Tokyo

New Tokyo Investment Trust's net asset value was ahead at 201p at the end of June 1985, against 192.1p before. Adjusted for the exercise in full of rights attached to warrants, the value was 196.6p (180.8p).

Earnings per 50p share for the six months were stated at 0.77p (0.44p). Pre-tax profits increased from £122,000 to £253,000, before tax of £104,000 (£51,000). Investment income more than doubled to £387,000 (£190,000).

UK COMPANY NEWS

Saxon Petroleum reveals new UK onshore oil find

BY DOMINIC LAWSON

A NEW UK onshore oilfield was revealed yesterday in the listing documents relating to the agreed £185m merger between Charterhouse Petroleum and fellow UK oil company Saxon Oil.

The new company, Saxon Petroleum Corporation, says that it is testing an oil discovery at Lomer, about 7 miles south east of Winchester, Hants. The field was discovered by Carless Capel and Leonard, which operates the licence with a 37.5 per cent stake.

The find has yet to be tested fully, but oil analysts believe that it could contain recoverable reserves of between 5m and 20m barrels of oil. At the upper end of estimates, the field would be of the same order of magnitude as Carless's Humbly Grove oil field, a few miles to the north east, which is the UK's second largest onshore oilfield.

Saxon Petroleum Corporation will hold Charterhouse's 17.5 per cent stake in the find. The other partners are Marinex (17.5 per cent), Sulpetro (17.5 per cent) and Britoil (10 per cent).

Among other discoveries listed in the documents is a very encouraging gas well off the coast of East Anglia, in North Sea block 44/22. The new company also refers to its drilling on North Sea block 29/9B, which is thought to hold a promising oil discovery.

The new company says that it expects to participate in 53 UK exploration and appraisal wells this year. It has interests in 71 UK offshore blocks, a greater number than any UK independent oil company except Britoil.

The listing documents state that Saxon Petroleum Corp has proven and probable reserves of 73.6m barrels of oil and 139 bn cu ft of gas. The group will have cash resources of £55m and shareholders' funds of £150m.

Oil analysts said yesterday that shareholders understood the logic of the merger. But they pointed out that there was always a possibility that someone could come in before the end of the three-week offer period and mount a bid for Saxon, which might be more attractive than the merger terms. So acceptances are not likely to be immediate.

Saxon reveals greatly improved profits for the year to June 30 1985 in the listing documents. The company made an operating profit of £2.7m (£1.87m) on turnover of £9.5m (£4.4m). Retained profits were £3.2m (£1.2m), giving earnings per share of 13.62p (6.93p).

The increase in turnover and profits reflects the inclusion of a full year's production from the 0.25 per cent stake Saxon purchased in BP's Forties field.

Retail growth lifts Preedy

Alfred Preedy & Sons, wholesale and retail tobacconist, has reported another year of improvement. Following reduced interim losses, the company raised pre-tax profits for the 12 months to March 30, 1985 to £1.02m — a rise of 18 per cent on the previous year's £862,000.

This performance reflects a substantially increased contribution from the retail division, including the benefits of a successful Christmas, but was not as good as the company had hoped for at the interim stage. This shortfall was due to continuing trading difficulties in the wholesale and printing and school contracting divisions.

Mr S. L. Preedy, the chairman, says that as a result of the significant programme of expansion in the retail division this year, borrowings are currently greater than at the same time in 1984. This, combined with exceptionally high interest rates, will result in increased finance charges, he warns.

However, he anticipates a further improvement in pre-tax profits for the current year as a whole.

Total sales in 1984-85 were up 12 per cent from £95.71m to £107.42m.

The closure of unprofitable stores continued and the related costs are reflected in exceptional charges of £91,000 (£268,000).

Borrowing costs for the year were down from £569,000 to £507,000 despite higher average interest rates during the period.

After tax of £220,000 (£136,000) and extraordinary charges of £45,000 (£314,000), the net available profit came out ahead from £412,000 to £752,000. Stated earnings per 25p share were 8.78p (8.01p) and the final dividend is 2.875p net for an increased total of 3.875p (3.5p) per share, costing £352,000 (£317,000).

Statement on Milbury as shares fall

SHARES in Milbury, the housebuilding and property group controlled by Mr Jim Raper, fell again yesterday to close at 42p, 8p down on the day, capitalising the group at about £5m.

In response to the falling share price—which hit a high for the year of 92p just two weeks ago—and the persistent rumours of cash flow problems and house sale difficulties, Mr Raper's St Piran group yesterday stated that "if it disposes of its shareholding notification will be given."

The full statement from St Piran reads: "St Piran and a wholly-owned subsidiary which together hold 78.7 per cent of the issued share capital of Milbury confirms that if it disposes of its shareholding notification will be given. In the meantime the holding is still being retained."

Sumitomo seeks 10% stake in Dunlop Tire

Sumitomo Rubber Industries, the Japanese tyre group, plans to take a stake of at least 10 per cent in Dunlop Tire and Rubber Corporation, the U.S. subsidiary of Dunlop Holdings which is finalising plans for a £140m management buy-out.

Dunlop has been part of BTR, the British industrial conglomerate, since the success of its £101m takeover in March. BTR said yesterday that it expects the buy-out to be completed later this week.

Dunlop Tire's management, headed by Mr Randall Clark, chief executive, and an investment consortium led by First Boston Inc is to pay $118m for the company and pay off loans totalling about $60m.

Mr Tetsuro Kawakami, president of Sumitomo Electric Industries, Sumitomo Rubber's part-parent company, said in Osaka that Sumitoo Rubber would shortly conclude a contract to take 10 per cent of Dunlop Tire.

The contract will be accompanied by an option to buy more shares in Dunlop Tire, he added. Sumitomo hopes to strengthen collaboration agreements with Dunlop over matters such as the number of tyres supplied to Dunlop by Sumitomo.

Sumitomo bought most of Dunlop's European tyremaking operations in an £82m deal first announced in September 1983.

COMPANY NEWS IN BRIEF

BIO-ISOLATES (Holdings) rights issue of 2.82m new ordinary shares was taken up as to 1.11m with applications for 352,401 excess shares. In total these represent 51.8 per cent of the shares provisionally allotted. Excess shares were allotted in full. New investors, Le Sueur Cheese Company and St Peter Creamer, have subscribed for a total 1.52m shares and as a result of the rights and the allotment, 2.96m shares have been issued with the issued capital now comprising 11.44m shares. The new investors, together with their principle shareholders, are interested in 1.72m ordinaries, equal to 15 per cent.

TALBEX'S offer for Yorkgreen Investments is unconditional in all respects. New Talbex ordinary shares have been issued and allotted in respect of ances complete in all respects of acceptances complete in all respects received by the first closing date. At July 22 the aggregate of Yorkgreen ordinary in respect of which acceptances had been received, or which were acquired by Talbex prior to the offer, was 8.45m (76.1 per cent).

PETRANOL has agreed to acquire an 87.5 per cent working interest (75.73 per cent net revenue interest) in the Amy Sears unit, which constitutes 1,200 acres of the East Bartlett field, Jones County, Texas. The consideration is $750,000 (£537,000) cash. Petranol previously controlled acreage in and around this field, and has been negotiatting to acquire the remaining interests since early 1984.

CAMBRIAN and General Securities' third quarter results show net asset value per ordinary share up from 97.94p to 116.67p for the period to June 28 1985, and from 125.88p to 142.37p per capital share. Total net assets rose from £46.87m to £75.5m.

GEORGE WILLS AND SONS, grain, rapeseed and protein merchant, has been acquired by David Duncombe and Partners, the Peterborough-based grain merchant. A nominal consideration of £1 has been paid for goodwill, and the consideration payable in cash on completion for the fixed assets transferred was £56,000. The business will trade under the name of Page Wills.

McCORQUODALE HOLDINGS, a wholly owned subsidiary of McCorquodale, has acquired an 80 per cent stake in Signify, a company set up specially to develop, market and manufacture dynamic signature verification products.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Allied Textile, Banco De Santander, Bootham Engineers, Fleming Fledgling Investment Trust, Mount Charlotte Investments, Updown Investment, Woodhouse and Rixson.

Finals:—A and M Hire, Baspak, Breaway, Dowty, Kenyon Securities, NMC Investments, Osprey Communications.

FUTURE DATES

Interims:—	
Cons Tern Investment	July 31
D J Security Alarms	July 25
Jamesons Chocolates	Aug 9
Ocean Transport and Trading	July 31
River Plate & Gen. Invest. Tst.	July 25
Scottish American Investment	July 25
Smith and Nephew	Aug 8
Stanley (A. G.)	Aug 28
Finals:—	
Appleyard	Sept 12
Clark (Matthew)	Aug 13
Diamond Stylus	Aug 9
Ewart New Northern	July 29
Quest Automation	July 25
Smith (David S.)	July 31

LADBROKE INDEX
923-927 (+2)
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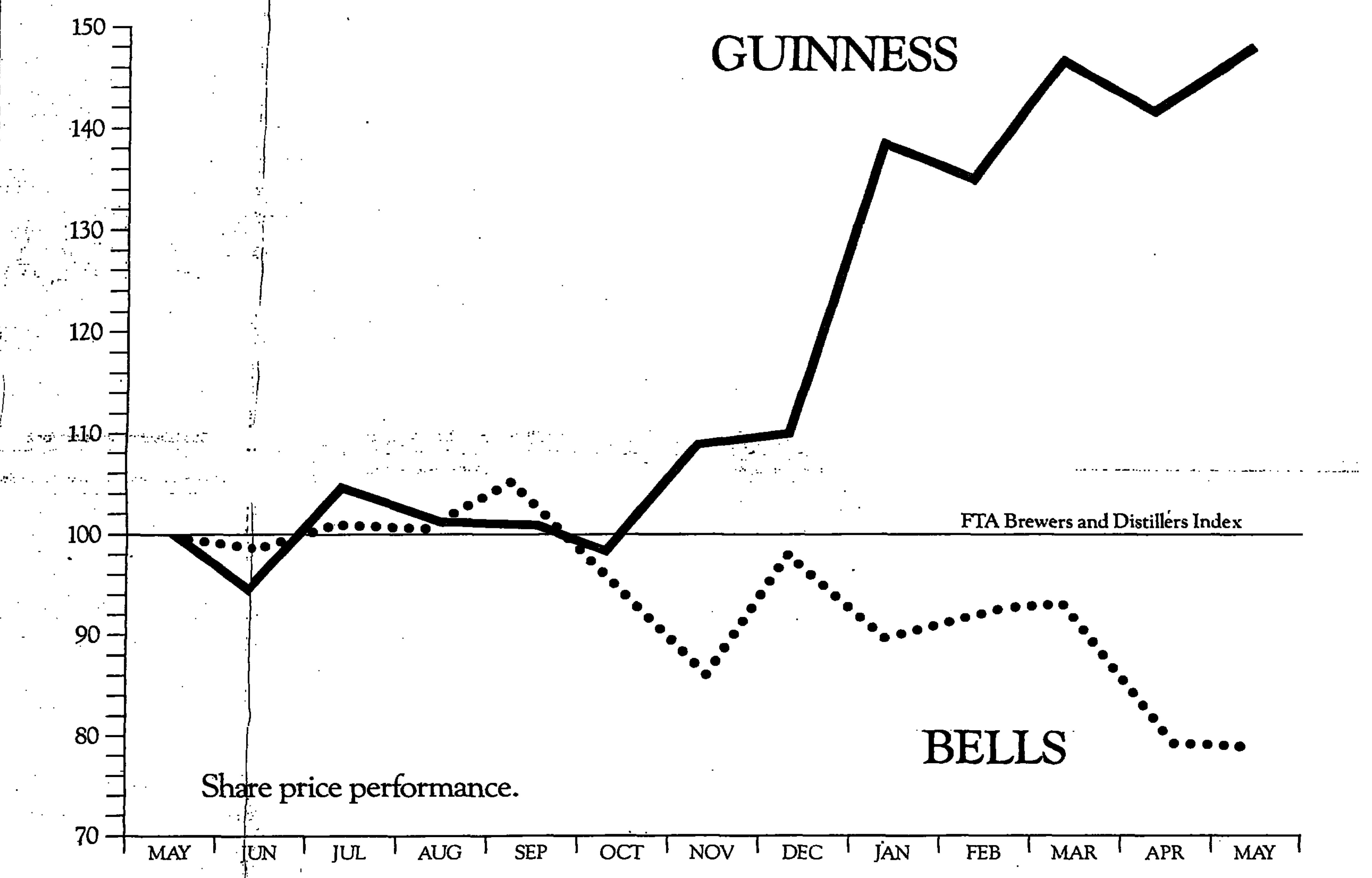
WHO HAS THE BETTER SENSE OF DIRECTION?



Relative performance of Guinness stock unit price and the Bells ordinary share price compared to the FT – Actuaries Brewers and Distillers Index on a monthly basis from 14th May 1984 to 14th May 1985.

Source: Datastream

Since 1980 Bells' share of the UK Scotch Whisky market has declined by 20%.

Overseas, Bells has also failed to achieve its promised inroads into the crucial US market.

By contrast, the Guinness Group has not only revitalised its core brewing business and established a second major profit source, Retailing, it has also developed a strategy of "Growth for Tomorrow" by investment in Healthcare and Publishing.

Bells' predicament and Guinness' revitalisation have both been recognised by the Stock Market as the graph, for May 1984 to May 1985, so vividly demonstrates.

Guinness' record justifies the claim that it can steer Bells in the right direction. The market confidence in the considerable abilities of the Guinness management team should further enhance Bells' shareholders' confidence.

On 14th May 1985, before rumours of the Guinness bid, Bells' shares languished at 143p.

Bells' shareholders are not only being offered a substantial premium over this price, they are being offered shares in an exciting, enlarged Guinness Group.

The growth prospects of this Group can only lead Bells' shareholders in one direction.

Towards accepting the very full offers made by Guinness, before 3.00 p.m. tomorrow.

GUINNESS PLC

DRAUGHT AND BOTTLED GUINNESS. HARP. KALIBER. DRUMMONDS. MARTIN THE NEWSAGENT. LAVELLS. 7-ELEVEN STORES. CHAMPNEYS AND STOBO CASTLE HEALTH RESORTS. NATURE'S BEST VITAMINS. GUINNESS PUBLISHING.

Bells has lost its way. Guinness is good for Bells.

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RESOURCES REVIEW

BIG OIL ADJUSTS

BP's challenge for the No 3 slot

By Ian Hargreaves

WHEN the FT last interviewed Sir Peter Walters, chairman of British Petroleum, a year ago, the conversation led to a piece which was headlined: "Now BP waits and wonders."

The interview had turned upon Sir Peter's own proposition, made shortly after taking office in November 1981, that he would require five years to sort out BP's problem areas and five more to shape the new BP. He admitted then that only time would tell whether BP had "an offensive as well as a defensive coach."

To most observers, the question remains unanswered. In the last year, BP has attracted attention more for what it has not done than for its actual achievements. With £2.6bn in hand, the company has been the subject of constant stock market rumour about prospective acquisitions. Names mentioned have ranged from Midland Bank to Northern Foods and Britoil.

Sir Peter, however, insists that for the last year he has indeed been on the offensive. Moreover, he has a piece of paper to prove it.

This document, four sheets of A4, reminds the reader of BP's record 1984 profits and then lists BP's main actions since the defensive coach interview. It is an interesting list, too long to reproduce in full, but here is a sample, summarising over half the items:

- Oil discoveries in which BP has a share have occurred in Indonesia, France and offshore Norway. A useful gas discovery was also made offshore Ireland.
- BP paid £5.5m for Voyager Petroleum, a small UK onshore oil company.
- BP announced closure of most of its Llandarcy refinery and similar cutbacks in Germany. In Australia, however, the group is rationalising in a different way—having bought out Amoco Australia, it is now swapping some of its eastern distribution and marketing business for Mobil's interests in Western Australia.
- Chemicals: BP paid about £35m for two speciality chemicals companies, one a UK coatings business; the other, in electric cables, is a first venture into U.S. manufacturing.
- *Minerals: BP sold a diamond* interest in Sierra Leone, shook up its Australian mining associate Seltrust and gave a conditional go-ahead for the large Olympic Dam copper-gold-uranium mine in South Australia.
- Scicon, BP's computer services company, paid $6m for 80 per cent of Telecom General, a Californian satellite communications company.
- Sohio. BP's stake in the U.S. oil company rose from 53 to 55 per cent when the company declined to tender its shares in a Sohio buy-back offer.

It is clear from this list that the hallmark of BP in the past year has been cautious advance. A nibble here and a nibble there, but no gobbling.

"This list is an offensive list," says Sir Peter. Five more years of similar progress, he argues, and BP will be where he wants it to be strategically: more profitable and firmly but gently pointed towards some new directions in addition to its core oil and gas business. So were the rumour-mongers on to a completely false trail?

"I did say to our corporate planners a year or more ago, 'let's have a look at this consumer area.' It wasn't that we were targeting companies. We were looking at the areas," says Sir Peter. "I thought if BP is good at the things it is good at, there's no reason why we should not be in the top league in consumer products."

His conclusion from the review, now complete, is as follows: "We decided it is better to be excellent in a mundane market than to be one of an indistinguishable pack of companies in a high growth go-go area."

That clearly rules out such sectors as financial services, but Sir Peter insists that BP will find ways of moving into more marketing-intensive activities. Acquisitions, he says, will be "step-outs from our existing operations and knowledge base." Meanwhile, continued high real interest rates make BP's cash pile, now managed by a new profit centre, BP Finance International, a rewarding asset.

Sir Peter cites Scicon's investment in Telecom General as action by a BP subsidiary based upon its knowledge of a highly specialised market. Asked whether BP is merely inviting humiliation by the likes of IBM and AT and T he replies that he asked the question and received satisfactory assurances. His criteria for ventures of this type, he says, are that they must be capable of generating £100m a year in operating profits in the 1990s. Anything less is too small.

Sir Peter Walters, chairman of BP.

The image Sir Peter conveys is thus somewhat self-contradictory. Essentially an economist and a numbers man, his explanation of why he shuns corporate acquisitions is revealing. The attendant media and stock market drama, he says, "blunts one's own detached considerative processes."

On the other hand, he enjoys nothing better than to talk about the latest bright idea to emerge from BP's research labs—spending on R and D has more than doubled inside four years. BP, he says, should work "like an inverted funnel," with a concentrated stream of ideas pouring through the system looking for broad applications, rather than the reverse.

BP, however, remains above all an oil and gas company, although not quite in the first rank. "If you are an oil company, you see Shell and Exxon way up there. What we would like to be is the next one after that—the next biggest, best oil group," says Sir Peter.

In terms of current financial performance, BP is certainly in contention for the No 3 slot. Its return on equity, for example, is distinctly worse than either Shell or Exxon, but better than Texaco or Chevron. In terms of financial performance, BP's toughest rival for the position is probably Amoco, whose downstream roots are in the U.S as securely as BP's are in the weaker European market. At the moment, Amoco is ahead by a length.

BP also has another disadvantage not shared by its main competitors—its arm's length relationship with Sohio, which in the last two years has contributed over half the group's profits, but whose fortunes in *the metals sector have been* little short of disastrous.

Sir Peter recognises that only by acting together can BP and Sohio challenge for the No 3 slot, but he still argues against any move to complete BP's acquisition of the U.S. company, on the grounds that, like BP, it faces declining oil output in the 1990s.

"Shell and Exxon have the advantage of unified management and shareholdings. At the moment, I contend that it isn't necessary to unify our shareholdings to get most of the benefits of integration. There are areas we are now exploring where we can enjoy profitable collaboration."

Given the litigious nature of U.S. minority shareholder groups, BP will probably set up new joint equity ventures with Sohio rather than pursue straightforward operational collaborations.

BP's main thrust upstream will be to increase its exploration budget from £450m to £600m in the next five years, which will allow it to enter some new developing countries. The company's two biggest *offshore efforts in recent years,* however—China and offshore Alaska—continue to disappoint. In China, BP is trying to persuade the authorities to allow it to transfer funds committed to a first licensing round programme to second-round prospects, thus effectively relinquishing what it once saw as prime exploration acreage.

In North America, BP is concentrating its efforts in a reduced Alaskan campaign and offshore California. It has decided to leave the lower 48 states to Sohio. As for onshore UK, once considered an area too lean to interest a major company, BP is an increasingly active player. Today's BP is more a butterfly catcher than an elephant hunter.

Sir Peter insists that his approach to oil exploration and production is essentially profit rather than volume orientated, although the company is bashful about discussing its finding costs, which are widely assumed to be at the high end of the industry's performance scale. There is also only limited comfort in BP's growing position in gas, given the chronically glutted condition of the European market. Sir Peter says simply that BP's oil and gas output combined will be fairly stable in the next five years.

If the exploration effort does not yield the necessary additions to reserves—BP's oil reserves have declined by 18 per cent since 1980—the company will come under pressure to buy reserves as well as exploration prospects. BP hopes the current wave of oil industry restructuring will throw up some bargains.

Downstream, BP this year has continued to clean house—the company has reduced crude distillation capacity by 48 per cent in five years. The company now has only one major refinery in each of its large European markets. "You can't get lower than that and stay in the business," says Sir Peter.

Even so, continued heavy overcapacity in world refining means the profits are likely to remain thin. And with unleaded petrol on its way in Europe, the sector does not even have the advantage of a declining investment requirement.

But at least, following its rationalisation, BP's downstream has remained in the black, helped by an aggressive if risk-prone trading division and a remorseless whittling away of stocks, which now stand at 13m tonnes, compared with 31m tonnes in 1979. The number, says Sir Peter, can go lower still.

An aggressive deficit refiner, BP expects this year to sell 90m tonnes of oil products against its own worldwide refining capacity of 79m tonnes a year.

On top of thin downstream profits, BP has a number of other weak performers. Last year 92 per cent of *operating* profits came from exploration and production.

Of the company's 11 business groupings, only four (upstream oil and gas, animal feeds and the tiny BP Ventures) enjoyed return on capital in double figures. Four (minerals, coal, shipping, and detergents) had a zero return or worse. Chemicals in 1984 had its best year since *Sir Peter took over,* but profits were almost extinguished again in the first quarter; a reminder of BP's continued heavy exposure to the European commodity petrochemicals cycle.

It follows that BP still has to demonstrate sustained sureness of touch outside its core business. Although undoubtedly more tightly managed than four years ago—as reflected in the bottom line—the group's basic dilemma is to find the right investment focus for the 1990s. BP also needs to ensure that Sohio, currently taking some belated radical action to slim its overheads and stem its large copper losses, does likewise. It is interesting that the BP group with annual sales of £38bn, employs 130,000 people, only 20,000 fewer than Shell and Exxon whose sales are twice as large.

At the moment, the Walters approach is to remain liquid and to probe into new areas on a small scale, hoping that this will throw up worthwhile and manageable opportunities should falling oil prices make further expansion in the oil and gas sector appear imprudent. He admits to temptation, en passant, to follow the vogue for share buy-backs, but fears the action would carry "the stigma of defeat."

That notion does not appeal at all to General Walters. But at this point, his offensive strategy still seems to involve reconnaissance and the occasional sortie, rather than preparation for BP to storm the beaches.

Previous articles in this series appeared on May 23, June 3, 6, 18 and 19 and July 3 and 10.

PERFORMANCE HIGHLIGHTS FOR FIVE YEARS

	1980	1981	1982	1983	1984
Net profit (£m)	1,435	1,018	712	1,031	1,104
Return on equity (%)	26.3	15.7	8.7	9.5	13.2
Long-term debt (£m)	4,070	5,943	6,536	5,468	7,058
Capital spending (£m)	1,773	3,079	3,664	3,237	3,610
Oil reserves† (bn barrels)	7.6	7.4	6.5	6.4	6.4

† Includes BP's interests in Abu Dhabi.

BASE LENDING RATES

A.B.N. Bank	12 %	■ Hill Samuel	§12 %
Allied Dunbar & Co	13 %	C. Hoare & Co.	12 %
Allied Irish Bank	12 %	Hongkong & Shanghai	12 %
American Express Bk.	12 %	Johnson Matthey Bkrs.	12½%
Henry Ansbacher	12 %	Knowsley & Co. Ltd.	12½%
Amro Bank	12 %	Lloyds Bank	12 %
Associates Cap. Corp.	13 %	Edward Manson & Co.	13 %
Banco de Bilbao	12 %	Meghraj & Sons Ltd.	12 %
Bank Hapoalim	12 %	Midland Bank	12 %
BCCI	12 %	■ *Morgan Grenfell*	12 %
Bank of Ireland	12 %	Mount-Credit Corp. Ltd	12 %
Bank of Cyprus	12 %	National Bk. of Kuwait	12 %
Bank of India	12 %	National Girobank	12 %
Bank of Scotland	12 %	National Westminster	12 %
Banque Belge Ltd.	12 %	Northern Bank Ltd.	12 %
Barclays Bank	12 %	Norwich Gen. Trust	12 %
Beneficial Trust Ltd.	13½%	People's Trust	13 %
Brit Bank of Mid. East	12 %	PK Finans Intl. (UK)	13 %
■ Brown Shipley	12 %	Provincial Trust Ltd.	13 %
CL Bank Nederland	12 %	R. Raphael & Sons	12 %
Canada Permanent	12 %	Roxburghe Guarantee	13 %
Cayzer Ltd.	12 %	Royal Bank of Scotland	12 %
Cedar Holdings	13 %	*Royal* Trust Co. Canada	12 %
■ Charterhouse Japhet	12 %	■ J. Henry Schroder Wagg	12 %
Choulartons**		Standard Chartered	‖12 %
Citibank NA	12 %	TCB	12 %
Citibank Savings	¶12½%	Trustee Savings Bank	12 %
City Merchants Bank	12 %	United Bank of Kuwait	12 %
Clydesdale Bank	12 %	United Mizrahi Bank	12 %
C. E. Coates & Co. Ltd.	12½%	Westpac Banking Corp.	12 %
Comm. Bk. N. East	12 %	Whiteaway Laidlaw	12½%
Consolidated Credits	12½%	Williams & Glyn's	12 %
Co-operative Bank	*12 %	Yorkshire Bank	12 %
The Cyprus Popular Bk	12 %		
Duncan Lawrie	12 %		
E. T. Trust	13 %		
Exeter Trust Ltd.	12½%		
First Nat. Fin. Corp.	13½%		
First Nat. Secs. Ltd.	13½%		
■ Robert Fleming & Co.	12 %		
Robert Fraser & Ptns.	13 %		
Grindlays Bank	‡12 %		
■ Guinness Mahon	12 %		
■ Hambros Bank	12 %		
Heritable & Gen. Trust	12 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.75%. 1 month 9.5%. Top Tier—£2,500+ at 3 monthly notice 12%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8¾% gross.
‖ 21-days deposits over £1,000 10%.
¶ Mortgage base rate.
**See Provincial Trust Ltd.
§ Demand deposits 8½%.

FT COMMERCIAL LAW REPORTS

Disposal of insurance money is breach of Mareva injunction

TDK DISTRIBUTORS (UK) LTD v VIDEO CHOICE LTD AND OTHERS
Queen's Bench Division: Mr Justice Skinner: June 28 1985

RIGHTS UNDER an endowment assurance policy are assets though they may be reduced by assignment of the policy; and a defendant commits a breach of a court order restraining him from disposing of his assets if he disposes of subsequently received assurance moneys, irrespective of whether his rights under the policy existed when the order was made.

Mr Justice Skinner so held when giving judgment for the plaintiffs, TDK Distributors (UK) Ltd, on their application against Mr Mohinder Singh Tak for such order as might justify be made on the ground that he was in breach of a Mareva injunction, and against his solicitors for an order for sequestration or alternatively that they pay £4,422 into court with a fine for allowing the breach.

* * *

HIS LORDSHIP said that in December 1982 TDK obtained a Mareva injunction against Mr Tak restraining him from disposing of his assets or any interest in his assets within the jurisdiction exceeding £601,500, save that he might spend up to £100 per week on ordinary living expenses.

At the material time Mr Tak and his wife jointly owned a house which was subject to an endowment policy mortgage, assigned to mortgagees as security.

It was the normal form of endowment assurance, maturing in 2003, the sum assured with profits being payable on the death of either Mr Tak or his wife.

Had the mortgage been redeemed at any time the policy would have reverted to Mr and Mrs Tak. After it had been in existence for two years it could be surrendered for cash.

On June 14 1983 TDK obtained judgment against Mr Tak for over £600,000. In August 1984 Mrs Tak died.

TDK drew Mr Tak's solicitors' attention to the fact that no affidavit of means and assets had been filed in pursuance of the order of December 1982. On October 17 1984, therefore, Mr Tak swore an affidavit relating to his assets.

He did not disclose the life assurance policy which had been issued in March 1978, and TDK had no knowledge of it. Nor had Mr Tak's solicitors, though the solicitor who did the work conceded that he ought to have known about it.

He first knew of it on April 2 1985 when he learnt there was a balance of £4,422 due to Mr Tak under the policy. On April 3 that balance was paid by the insurers to the solicitors and was initially put into their client account.

In the meantime Mr Tak was subject to criminal proceedings in which the solicitors represented him. It was decided that the £4,422 would be utilised for his defence.

Leading counsel was retained. Mr Tak was convicted and imprisoned. On the following day the £4,422 was transferred from the solicitors' client account to their office account in part satisfaction of their bill.

TDK contended there were plain breaches of the Mareva injunction which amounted to contempt of court. If there was any breach it was negligent and inadvertent, but a breach in such circumstances was nevertheless a contempt, particularly if committed by a practising solicitor.

Mr Jacob, for Mr Tak and his solicitors, argued that there was no breach and no contempt, in that the insurance policy was not an asset nor an interest in an asset at any material time.

He said it was an asset or interest acquired after the Mareva order was made, and that Mareva injunctions in general—unless they spelt it out specifically—did not apply to "after-acquired" assets.

Mr Burton, for TDK, said it was an asset or interest in an asset which was in existence at the time of the order. It had a value.

If Mr Tak or his wife had redeemed the mortgage and paid it off, the policy would have been reassignable to them. They would then have had the right to surrender the policy for full value.

On that ground alone it was an asset which was in existence at the time of the Mareva injunction and would be caught by it. Put at its very lowest, Mr and Mrs Tak had an interest in the shape of their rights, which could not be given away, to redeem the mortgage and retrieve the policy.

Even if it had been an after-acquired asset, it would have been caught by the injunction. It would be a negation of the purpose of the particular injunction if every time Mr Tak acquired some new asset it was up to TDK to discover it and apply to the court for extension of the injunction.

A Mareva injunction looked to the future and dealt with the situation between obtaining the judgment and its eventual execution. It would cover any assets acquired between the granting of the order and eventual execution of the judgment.

Mr Jacob argued that payment of legal fees was not within the spirit of the order. He referred to *PCW Underwriters v Dixon (FT December 22 1982)* where Mr Justice Lloyd said that the sole purpose of the order was to prevent plaintiffs being cheated out of the proceeds of their action, should it be successful, by the defendant transferring or dissipating his assets.

In the present case, said Mr Jacob, there was no dissipation of assets of the kind contemplated by Mr Justice Lloyd, or by the Court of Appeal in *Z v A-Z (FT December 28 1981)*.

The answer was that dissipation was relevant to the question whether an order was to be made. Once the order was made, one was bound by its terms. In the present case the order forbade Mr Tak to dispose of his assets or any interest. He disposed of an asset.

However, Mr Jacob argued, the disposal was "ordinary living expenses" and came within the exception to the order. He said it was possible to aggregate the £100 to justify a single payment of £4,400 on legal expenses.

It was certainly possible to aggregate living expenses like a monthly account with the grocer, rates, fuel bills and recurrent expenses of that sort. But it was impossible to argue that a £10,000 bill to a lawyer for a defence against a serious criminal charge was an ordinary living expense.

"Ordinary living expenses" meant ordinary recurrent expenses involved in maintaining the subject of the injunction in the style of life to which he was reasonably accustomed.

It did not include exceptional expenses like the private employment of Queen's Counsel to defend one against a serious criminal charge.

To create an exception from the injunction to cover that sort of expense, application to the court was necessary. Mr Jacob argued that the present motion should be treated virtually as an application for a retrospective variation of the order. That was totally unrealistic and could not be countenanced.

The solicitors ought to have been put on guard and advised their client accordingly in October. Mr Tak was responsible for acts advised by his solicitors, but his responsibility was technical. The real responsibility for his failure and for anything he did in relation to the proceeds of the insurance policy from October onwards rested on the solicitors.

From the moment they received the *money on April 3* they went seriously wrong. With any reasonable care they ought to have been put on guard by the existence of the order, which they knew about, and the receipt of a fairly substantial sum of money.

Both Mr Tak and the solicitor who did the work were guilty of contempt. The partners in the firm were not. They took all reasonable care by employing an apparently competent solicitor to do work which was, or should have been within his competence.

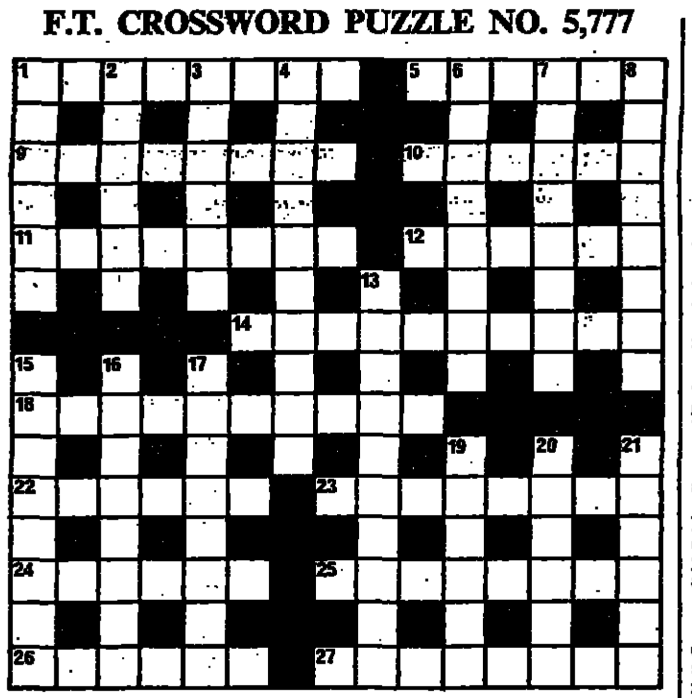
The solicitors should pay £4,422 to TDK's solicitor within 14 days.

For TDK: Michael Burton QC and Neil Block (Pritchard, Englefield and Tobin).

For Mr Tak and his solicitors: I. E. Jacob (Taylor, Tyrrell, Lewis and Craig).

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE NO. 5,777



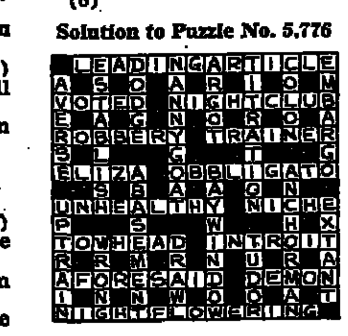
ACROSS

1 Woman with important position causes a buzz (5-3)
5 Fellow goes to the Spanish church (6)
9 Tinned bananas here before man planned (8)
10 He may wake in his sleep (6)
11 Kind of collar that could precede error? (8)
12 Spirit imbibed by fakir scholars? (6)
14 Control of country by power could be a job (10)
18 Spanners could produce smiles of anger (10)
22 An earl is done up taking in extremes of travel (6)
23 Put forward for the money (8)
24 Double-edged implement in charge (6)
25 Merry leader of verse (4, 4)
26 Hard? Let us change to sell aggressively (6)
27 State C.S.E. after correction creates a precedent (4, 4)

DOWN

1 One of five church fruit (6)
2 Printer's measure for the plant? Of course! (6)
3 Go-between? Sister's firm about one (6)
4 Something striking like hastily donned spectacles? (3-7)
6 Chap in advert, in short, could be nuisance (8)
7 Place abroad where the wine talked? (4, 4)
8 Right feature in the ear is for "listing" (7)
13 Season for hotting things up? (10)
15 They hit costs exceptionally (8)
16 The pilot takes them over (8)
17 Exceptional lapse about hard water arising (8)
19 To travel in strip of sand acts as stopper (6)
20 Domed structure where you randomly throw coal up (6)
21 Stick had changed before (6)

Solution to Puzzle No. 5,776



APPOINTMENTS

Managing director for Gestetner

GESTETNER, the UK trading arm of the Gestetner organisation, has appointed **Mr Roger Annett** as managing director. He joined Gestetner two years ago to head up G.O.A.L., a company formed through an agreement between Compugraphic and Gestetner whereby the latter would distribute phototypsetting systems to inplant markets in the UK and Europe.

★

Mr David Blythe has been appointed managing director of GEC-XPELAIR. He succeeds **Mr Ernie Dawkins**, who has become chairman. For the past two years, Mr Blythe has been assistant managing director.

★

FIRST INERTIA SWITCH has created a new position of Resources director. **Mr Geoff Lewis**, formerly group manufacturing services manager for the FIS parent company, the First Security Group, takes up the appointment as resources director. Mr Lewis is responsible for *all purchasing, stores, industrial* and production engineering, plant and buildings, administration and personnel.

★

CATHAY PACIFIC AIRWAYS has appointed **Mr John Moxey** to the position of manager UK and Ireland from August 1. He is currently Cathay Pacific's commercial manager for Europe.

★

Mr Richard Fallowfield has been appointed chief executive and head of advertising at GRANDFIELD RORK COLLINS FINANCIAL. **Mr Anthony Cardew** has been appointed deputy chief executive and head of public relations.

★

Mr Stuart Dominic Smyth is appointed an assistant director of C. E. HEATH AND CO. (INTERNATIONAL).

★

AMERICAN EXPRESS has appointed **Miss Janet Brady** to the new position of director public relations UK and Ireland, for travel-related services. She was formerly with Sterling Public Relations.

★

Mr Peter Towle has become chairman of SECURICOR GRANLEY SYSTEMS, a member of Securicor Group. Mr Towle, who is managing director of Securicor Services and Securicor, takes over from **Mr Peter Smith**, the chairman of the parent group. **Mr Roger Wiggs** becomes deputy chairman. **Mr Derek Hardisty** is appointed managing director of Securicor Granley. He has managed the group's alarm activities for several years. **Mr Geoff Tate** is appointed technical director.

★

Mr Norman A. F. St John-Stevas has been appointed a member of the ROYAL FINE ART COMMISSION and chairman of the Commission in succession to Sir Derman Christopherson who will be retiring on October 31.

Mr John Michael Mason is to join the PEERLESS GROUP as financial director from August 5. Mr Mason has had considerable experience of the engineering industry most recently as a consultant but previously he was group finance director of Redman Heenan International. **Mr Ivor Taylor** has resigned from the board.

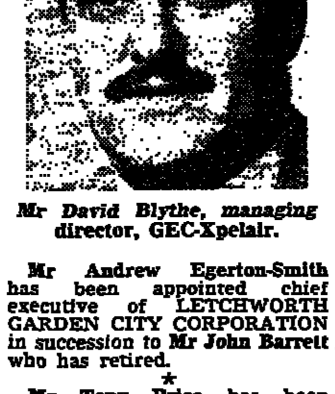
★

Mr Malcolm Wallis has joined ST JAMES'S CORPORATE COMMUNICATIONS as an associate director. He has been with Broad Street Advertising for the last two and a half years.

★

JOHN FLEMING AND CO has appointed **Sir Peter Main** as a non-executive director. Sir Peter was chairman of The Boots Co from 1982 until earlier this year.

Mr Jeremy A. W. Strachan has been appointed director, legal affairs, for STC. His appointment follows the retirement of **Mr Norman R. Riley** who was executive director, legal affairs, and a member of STC's board. Mr Strachan was appointed STC's group legal adviser last November, having previously been director of ICL Group legal and patent services.



Mr David Blythe, managing director, GEC-Xpelair.

Mr Andrew Egerton-Smith has been appointed chief executive of LETCHWORTH GARDEN CITY CORPORATION in succession to **Mr John Barrett** who has retired.

★

Mr Tony Price has been appointed managing director of the ILLUSTRATED LONDON NEWS AND SKETCH. He is currently diary publishing director at Newsweek International.

★

Mr Peter White has been appointed managing director of TURNER INTERNATIONAL (ENGINEERING), Alcester. He was finance director.

★

Mr J. Fox has been appointed sales director of DESOUTTER BROTHERS (HOLDINGS).

★

BUCK AND HICKMAN, a member of the P&O Group, has appointed **Mr Charles Barrett** as regional director for the south-east and export markets. **Mr Ian Lauriston** becomes financial director.

★

TRAINING RESEARCH INTERNATIONAL has appointed **Mr John Neame** as marketing and sales director.

★

Dr John Viney has been appointed managing director of HEIDRICK & STRUGGLES UK practice. He was an associate director with Whitehead Mann. **Mr Bob Meadows** has joined Heidrick & Struggles as a consultant. He was previously with PA business consulting division. managerANDF†fiB shrd lup nup

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
80, Holdenhurst Rd., Bournemouth 0345 717373

High Income				
Gilts & Fixed Int.	112.8	119.3	+0.4	10.06
High Inc Equity	68.4	72.8	-0.3	6.80
Worldwide Bond	142.4	151.5	-0.9	6.40
Capital Growth				
American Growth	135.0	143.6	-1.0	2.19
Asian Pacific	46.9	49.9	-0.7	2.50
Assets & Engs. Tt.	71.2	76.2		2.94
Capital Reserve	58.1	58.4	+0.1	—
Commodity & Engy	68.5	73.4	+0.3	3.38
European Capital	47.3	50.3	-0.2	2.98
General	98.2	105.0	-0.6	3.81
Japan	136.9	147.2	-2.1	—
UK Growth Acc Units	94	102.6	-0.6	—
UK Growth Dist	67.1	72.2	-0.4	2.13
U.S. Emerging Co's	53.9	58.0	-0.8	0.45
Equitas Prog.	151.5	162.0	-1.0	3.75

Aitken Hume
30, City Road, EC1Y 2AY. 01-628 6626

American Tech Fd.	102.9	110.1		0.30
Pacific Fd.	115.5	123.6	-2.0	0.20
Secured Income Fd.	135.0	144.4	-2.0	5.50
Special Sits	141.6	151.5	-1.3	1.56
Energy Fd.	30.9	33.0	-0.7	0.60
American Majors	57.2	61.2	-0.2	1.56
Small Co's Fd (2Clor1)	26.6	28.4	-0.3	1.97
Jap. Technology	48.1	51.4	-1.1	0.10
International Income	49.3	52.7	-0.2	7.00
Exempt	399.5	427.5		—

Allied Dunbar Unit Trusts PLC (a)(g)
Allied Dunbar House, Hutton, Brentwood, Essex Brentwood. (0277) 211459 & 229123

Brown Shipley & Co. Ltd.
9-17 Perrymount Rd, Haywards Heath

B.S. Fund	45.8
B.S. Accum.	74.2
Financial	55.4
Growth Accum	145.6
Growth Income	94.9
High Income	46.9
Income	54.3
North American	49.1
Orient	44.2
Recovery	25.7
Technology	109.4
Exempt	153.0

Buckmaster Management
The Stock Exchange, EC2P 2JT.

General Inc July	158.3
Accum Units July 18	246.0
Income July 17	72.2
Accum Units July 17	121.1
Intl July 23	99.7
(Accum Units) July 23	129.6
Smaller Co's July 19	225.7
(Accum Units) July 19	366.3

CS Fund Managers Limited
125 High Holborn, London WC1V

CS Japan Fund	41.6
CS Portfolio Inv. Fd.	46.6

Canada Life Unit Trust Mngrs. Ltd.
2-6 High St, Potters Bar, Herts.

Can. Gen. Dist.	83.5
Do. Gen. Accum	129.4
Do. Income Dist.	60.1
Do. Inc. Accum.	117.6
Gilt & Fxd. Int. Trust	56.2

Cannon Fund Managers Ltd.
1, Olympic Way, Wembley, HA9 0

Growth	210.7
Income	244.8
Far East	110.8
North American	117.0

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CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn, WC1V 7EB. 01-405 8441

Pearl Growth Fd.	59.1	62.9	-0.5	3.60
Accum Units	87.4	93.0	-0.4	3.60
Pearl Inc.	84.3	89.7	-1.0	5.29
Pearl Unit Tst	87.4	93.0	-1.1	4.49
(Accum Units)	147.9	157.3	-1.8	4.49

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. 0491 576868

Growth	174.8	187.7	-2.1	1.53
Income	131.4	140.7	-0.6	5.46
Worldwide Recovery	99.2	106.5	-0.5	2.14
American Growth	58.2	62.5	+0.9	0.68
Intl. Emerging Cos.	55.8	59.9	-0.5	0.79
Far East Growth Fd	45.9	49.3	-0.4	1.00

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 75407

Prolific Far East	99.3	106.4	-1.3	0.27
Prolific Extra Inc	58.5	62.8xd	-0.2	6.45
Prolific Gilt Cap	81.5	84.8	+0.4	3.24
Prolific High Inc	121.8	130.7	+0.1	5.77
Prolific Intl	81.6	87.4	-0.7	1.93
Prolific N. Amer.	115.8	124.1	-1.2	2.58
Prolific Spec. Sits	129.4	138.8	-0.8	1.74
Prolific Technology	99.7	106.8	-2.0	1.02

Providence Capital Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Trust	47.0	49.8	-0.5	0.00
Worldwide	46.8	49.6	-0.6	1.65
European Trust	48.4	51.3	-0.1	1.69
North American	48.7	51.6	-0.1	2.17
UK Equity	47.6	50.4	-0.3	4.05

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-69, Ilford Hill, Ilford, Essex, IG1 2DL. 01-478 3377

Holborn Equity Tst	302.7	322.0	-2.1	3.86
Holborn Gilt Tst	152.9	159.8	+0.2	8.82
Holborn High Inc	53.2	56.5xd	-0.2	7.62
Holborn Intl	58.3	62.0xd	-0.5	0.61
Holborn UK Growth	60.1	63.9	-0.5	3.37

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants, SP10 1PG
0264 62188 Dealings to 0264 63432-3

TSB American	93.3	99.3	-1.9	1.47
Do. Accum	96.1	102.3	-1.9	1.47
TSB Extra Income	81.5	86.8	-0.3	6.61
Do. Accum	90.8	96.6	-0.3	6.61
TSB General	111.6	118.7xd	-0.5	3.65
Do. Accum	180.9	192.4	-0.8	3.65
TSB Gilt & Fxd Int	46.8	48.8xd	+0.2	9.48
Do. Accum	57.6	60.0	+0.2	9.48
TSB Income	154.2	164.1xd	-0.6	5.37
Do. Accum	232.5	247.4	-1.0	5.37
TSB Pacific	100.9	107.4xd	-1.1	0.61
Do. Accum	103.4	110.1	-1.1	0.61
TSB International	222.4	236.6	-2.5	1.92
Do. Accum	270.7	288.0	-3.0	1.92
Natural Resources	44.8	47.7	+0.2	2.83
Do. Accum	45.3	48.2	+0.2	2.83
TSB Slcted. Opps	43.8	46.7	-0.1	2.68
Do. Accum	47.1	50.2	-0.1	2.68

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks Aylesbury (0296) 5941

Small Co's Fund	65.4	69.9	.....	0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse. Rd, Aylesbury Bks (0296) 5941

American Eagle	64.9	69.4xd	-0.4	0.27
Australia	27.8	29.7		1.80
Commodity	89.1	95.8	-0.2	1.80
Energy	39.6	42.4xd	-0.2	0.82
Equity	92.6	98.8	-0.5	4.01
European Spec. Sits	49.3	52.7	-0.1	0.95
Extra Income	87.4	93.1	-0.4	7.79
Financial	189.0	201.6xd	-0.3	3.06
Gilt Capital	218.7	229.0	+0.9	3.25
Gilt Income	103.6	108.5	+0.5	8.83
Gold Income	60.9	65.1	-0.7	2.35
Gold Acc.	109.9	117.5	-1.3	2.35
Income	55.2	59.4xd	-0.2	6.30
Japan	43.5	46.4	-0.2	0.10
Malaysia & Singapore	23.2	24.7	+0.6	1.19
Pacific Income	62.3	66.6	-0.3	0.93
Pacific Re Inv	75.5	80.7	-0.4	0.93

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INSURANCES

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

[illegible]

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV ..... $11.62 | — | +0.35 | —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd ..... $13.51 | — | | —
Inv. Adv.: M & G Inv. Mngt., Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech ..... $9.10 | — | -0.07 | ..
Dynamic Grth Fd ..... $8.11 | — | -0.10 |

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	12.1	—	—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST 01-236 0952				
Call Fnd	12.35	9.23	13.04	mth
7-day Fnd	12.11	9.05	12.79	mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Call Fnd	12.18	9.10	12.42	6-Mth
7-day Fund	12.13	9.07	13.38	6-Mth
Dollar	6.81	—	—	6-Mth
Money Mngt Acct	11.75	8.78	13.14	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh, EH2 4DF 031-225 8484				
Full Service Chq Acc	11.75	8.30	12.40	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	11.875	8.875	13.30	Qtr
Mth. Inf Chq.	11.75	8.78	13.30	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	11.40	8.52	12.65	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	11.50	8.625	12.90	Qtr
Britannia Investment Services Ltd. 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	11.87	8.88	12.54	Mth

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OFFSHORE AND OVERSEAS

[illegible]

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	16	Midland Bk	30
BAT	32	NEI	8
BOC Grp	25	Nat West Bk	60
BSR	16	P & O Dfd	36
BTR	52	Plessey	17
Babcock	14	Polly Peck	26
Barclays	48	Racal Elect	18
Beecham	32	RHM	11
Blue Circle	45	Rank Org Ord	32
Boots	15	Reed Intnl	50
Bowaters	20	Sears	8
Brit Aerospace	33	TI	20
Brit. Telecom	11	Tesco	20
Brown (J.)	3	Thorn EMI	35
Burton Ord	39	Trust Houses	13
Cadburys	14	Turner Newall	10
Comm Union	19	Unilever	85
Courtaulds	$12\frac{1}{2}$	Vickers	19
Debenhams	$17\frac{1}{2}$	**Property**	
Distillers	28	Brit Land	12
Dunlop	6	Cap Counties	18
FNFC	$8\frac{1}{2}$	Land Secs	25
Gen Accident	45	MEPC	28
Gen Electric	17	Peachey	22
Glaxo	85	Samuel Props	14
Grand Met	25	**Oils**	
GUS 'A'	60	Brit Oil & Min	4
Guardian	60	Brit Petroleum	42
GKN	17	Burmah Oil	18
Hanson Tst	$17\frac{1}{2}$	Charterhall	6
Hawker Sidd	38	Premier	5
Hse of Fraser	30	Shell	60
ICI	60	Tricentrol	18
'Imps'	18	Ultramar	19
Jaguar	28	**Mines**	
Ladbroke	24		
Legal & Gen	50	Charter Cons	18
Lex Service	28	Cons Gold	44
Lloyds Bank	45	Lonrho	14
Lucas Inds	25	Rio T Zinc	56
Marks & Spencer	11		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Shearsons elected to LME membership

By John Edwards

THE London Metal Exchange yesterday approved the election of Shearson Lehman Brothers, the financial conglomerate that is part of the American Express group, as a ring-dealing member.

The election was achieved through a complicated route. The new ring-dealing member actually unanimously approved by a joint meeting of the LME Board and management committee was Acli Metals, which took over the outstanding contracts and commitments of the previous member company, Acli Metals (London). At the same time ownership of the new company, Acli Metals, was transferred from DLJ Futures, part of the Donaldson, Lufkin & Jenrette group, to become a fully owned subsidiary of Shearsons. Earlier this month the DLJ group said its commodity futures interests to the Refco group, with the exception of Acli Metals (London) and Wardley-Acli Commodities. However, negotiations started straight away with Shearsons, who nowadays are one of the most active traders in the metal markets.

It was thought there might be some opposition to the election of Shearsons as ring-dealing members, since the LME has traditionally been opposed to granting membership to companies, whose main interest is not in metals, especially U.S. commission houses. A breakthrough was made a few years ago when Maclaine Watson, a susibdiary of Drexel Burnham and Lambert, was elected as a ring-dealing member after a hard struggle and close vote. Acli and DLJ followed later.

The unanimous election of Shearsons, who is an important customer for many of the LME ring-dealing members, confirms that opinion has changed round the ring. It was evidently thought that Shearsons had become such an important influence on the exchange through aggressive marketing that it was preferable to bring them into ring-dealing disciplines rather than try to keep them out.

London coffee futures tumble to 33-month lows

BY ANDREW GOWERS

COFFEE EXPORTERS told consuming countries yesterday of their serious concern at the continuing slide in prices which has taken the International Coffee Organisation's daily price below the crucial 120 cents per pound level.

But at a week-long meeting of the ICO's executive board which began in London on Monday, producers met with a dusty initial response to the idea of implementing an additional cut in export quotas beyond the automatic 1m-bag reduction which is expected to take effect within a matter of days.

Meanwhile, September robusta coffee futures fell a further £104 to £1,487.50 a tonne on the London market, the lowest level since October 1982. With supplies remaining abundant, dealers believe that only news of a severe Brazilian frost can prevent prices tumbling further.

A further 1m bag quota reduction—which would take the global quota to 58m bags—will be triggered when the ICO's 15-day moving average price drops below 120 cents per pound. But even this development seems to have been already discounted by the market. The 15-day price was quoted at 123.37 cents yesterday, and is dropping steadily.

This week, producers reiterated their view that the price slide is mainly attributable to the fixing of an excessively large total export quota for the 1984-85 marketing year. Consumers, however, reminded the exporters of the much higher prices they enjoyed in the previous season.

A further quota reduction below 58m bags needs the approval of the ICO board. Producer delegates have not yet formally proposed such a cut, but were last night awaiting instruction from their governments.

Meanwhile, coffee consuming countries were studying detailed proposals from producers aimed at reducing alleged abuses of the International Coffee Agreement whereby exports intended for non-members do not actually reach their destination.

Most exporting countries have agreed on a detailed formula to apply penalties to producers who cannot prove that their sales to non-members arrive

The ICO estimates that more than 3m tonnes of coffee have "disappeared" in this way since 1983, despite the adoption of a resolution then aimed at stopping the practice. The issue is becoming a matter of increasingly acrimonious dispute within *the ICO as producers* and consumers square up to renegotiate export quotas under the agreement this September.

Some consuming countries maintain that traders allow these missing coffee shipments—often made at lower prices than those fixed by the ICO—to "leak" on to member markets.

Key producers like Brazil, however, reckon they are sitting aboard ships or in freeports and overhanging the market.

Under the proposal agreed by all producers except Indonesia—the main seller of coffee to non-members at a discount—penal quota reductions would be applied to producers which cannot account for an above-average quantity of coffee sold to non-members. Brazil is hoping that agreement can be reached this week, but it seems likely that a final decision will have to wait until September.

CEGB buys spot market coal

BY GERARD McCLOSKEY

FOR THE first time since the 1970s, Britain's Central Electricity Generating Board (CEGB) has entered the international coal spot market. In two major purchases it has signed up 120,000 tonnes of steam coal from Colombia and the U.S.

The coal, which is destined for the Lancashire power station of Fiddlers Ferry, will be imported through the British Steel Corporation harbour at Hunterston. What little coal the CEGB has imported in recent years in three contracts with Australian mines, has been landed on the Continent before being moved on to the three Thamesside coal fired power stations of Tilbury, West Thurrock and King's North. The additional cost of this continental transfer, reckoned to amount to £7 a tonne, will be avoided by using Hunterston.

The price paid for the spot deliveries is thought to be around $43 a tonne (£30.71) which compares with £44 for the bulk of National Coal Board supplies and £36 a tonne for the "second tranche" of NCB coal delivered to the electricity utily. The U.S. coal is priced at $43.67 a tonne and the Colombian cargo of 60,000 tonnes is thought to be slightly cheaper.

The CEGB is saying nothing about the spot deliveries but London traders report that the purchases come after a clandestine tender among steam coal suppliers in recent weeks.

One of the two spot deliveries, both of which are due to arrive in August, has caught the interest of the world steam coal market. This contract has seen Shell Coal International sell to the CEGB a cargo of top quality Colombian steam coal, taking it from under the noses of the two partners of the massive new El Cerrejon Norte mine—Exxon's Intercor and Colombia's carbocol. Shell, which is bidding for a share in the mine, managed to acquire the coal from the stockpile of the temporarily closed Cerrejon Central pit.

The second delivery is being provided by Inter Continental Fuels and the U.S. subsidiary of Ruhrkohle, the German coal producer.

India to import cotton from Pakistan

By R. C. Murthy in Bombay

INDIA IS to import 100,000 bales (170 kilos each) of cotton over the next two months. The Government-owned Cotton Corporation of India (CCI), which handles external cotton trade, has reached understanding with Pakistan for purchase of 62,000 bales of medium staple cotton. The remaining 38,000 bales may be imported from the Sudan.

The country is importing cotton despite record production of more than 9m bales in 1984-85 (September-August), 1.5m bales higher than the previous year. The carry-forward stock at the beginning of the year was only 544,000 bales.

There is an apparent surplus of nearly 500,000 bales as consumption is estimated at 8.7m bales, but the varieties of cotton available do not match the needs of the textile industry.

WEEKLY METALS

All prices as supplied by Metal Bulletin:

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,810-2,870.

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 4.00-4.15.

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots, 0.70-0.77, sticks, 0.77-0.82.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 11.40-11.55.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 287-296.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.10-3.20.

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 6.30-6.80.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO_3, cif, 63-69.

VANADIUM: European free market, min. 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif 2.15-2.25.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 15.00.

Wong Sulong on palm oil output prospects

Malaysia cashes in on its 'golden crop'

THE PROSPECTS of heavy volumes of palm oil, up to 450,000 tonnes a month, coming out from Malaysian estates for the remainder of the year has caused prices to plunge from its surprisingly firm levels a few months ago.

Crude palm oil prices quoted on the Kuala Lumpur Commodities Exchange are hovering around 1,000 ringgit ($410) a tonne, a drop of 50 per cent from prices reached in April.

They are expected to decline further probably to around 900 ringgit, later in the year as Malaysian palm oil meets with fierce competition from the harvest of U.S. soyabeans in an increasingly oversupplied edible oil market.

Despite the softening of prices, however, the Malaysian Government is cautiously optimistic that palm oil, the country's so-called "golden crop," will repeat its sparkling performance of last year.

The exceptionally high prices of 1984 are unlikely to be repeated but value lost through lower prices will be more than made up through record export volumes, prompting Datuk Paul Leong, the Minister of Primary Industries, to comment that "palm oil looks like the brightest spot in an otherwise sluggish economy."

For this year, aided by record production and high carry-over stocks, exports of palm oil are expected to soar to 4m tonnes, from 3.2m tonnes last year.

Exports of palm kernel oil are projected to rise by 10 per cent to 440,000 tonnes.

The Ministry of Primary Industries estimates that crude palm oil (CPO) prices will average 1,150 ringgit a tonne for 1985, compared with 1,400 ringgit for 1984. For the first six months of this year, CPO prices remained surprisingly firm, averaging close to 1,300 ringgit a tonne.

About 95 per cent of Malaysia's palm oil is exported after refining, and this adds another 200 ringgit per tonne to its value.

"We expect exports of refined palm oil and palm kernel oil to reach 6bn ringgit ($2.45bn), if not a few hundred million ringgits more," says Datuk Leong.

Last year, the palm oil industry earned 5.7bn ringgit in export receipts—beating rubber by a long way to come the second biggest export industry after petroleum and liquified natural gas.

The strong performance of palm oil is reflected on the Kuala Lumpur Stock Exchange where prices of plantation companies, with large acreages under oil palm, have held steady against a general downward trend.

The biggest challenge to the industry is to ensure a world market for an ever-increasing

MALAYSIAN PALM OIL

	Production	Exports
	(million tonnes)	
1981	2.822	2.485
1982	3.509	2.824
1983	3.016	2.692
1984	3.710	3.200
1985 (est)	4.300	4.000

Source: Malaysian Ministry of Primary Industries

volume of oil that is expected to flow from the estates in the years to come.

The Malaysian strategy is to maintain the present discount for palm oil against soyabean oil in order to enlarge its market share.

The Japanese Government's recent decision to drop its 3 per cent import duty on palm oil was much appreciated by Malaysia, which complains that the European Community discriminates against palm oil in favour of soya oil by a 12 per cent duty on refined palm oil from the Far East.

Malaysian palm oil, which accounts for nearly 70 per cent of the world's trade in the commodity, is probably the most competitive of the edible oils. Its production cost is only around 700 ringgit a tonne, and is far below that of soyabean or coconut oil.

By 1990, Malaysia is expected to produce 6.5m tonnes of its golden crop. The local market will take less than 4 per cent of this volume.

The need to find new markets has being brought home by a recent visit of Datuk Leong to the Indian sub-continent. The sub-continent countries are the biggest buyers of Malaysian palm oil, with India taking 720,000 tonnes, Pakistan 380,000 tonnes and Bangladesh 100,000 tonnes last year.

The scope to increase these large intakes is clearly limited. The Indian Government is concerned about the massive trade imbalance, which was 1bn ringgit in Malaysia's favour last year.

"We have to be vigorous in embarking our promotional efforts in other markets such as China, Africa, the Middle East and the U.S.," said Datuk Leong.

Africa, Kenya, Nigeria and Egypt are also promising markets. They took 89,000 tonnes, 109,000 tonnes and 50,000 tonnes respectively from Malaysia last year.

Recently, the Malaysian Overseas Investment Corporation, secured a $77m deal to supply 95,000 tonnes of refined palm oil to Nigeria, the biggest commercial deal ever made by a Malaysian company in that country.

Sime Darby, the plantation-based Malaysian group, has entered into a joint venture in Egypt to set up a palm oil refinery.

Japan and South Korea are also potentially big markets, but here, the U.S. soyabean lobby is strong. China, is a challenging market, where palm oil is currently used for making soap. A Malaysian technical team visited China last year to promote palm oil for margarine and cooking.

Although the U.S. is the world's biggest producer and exporter of soyabean oil, it used to be the biggest importer of Malaysian palm oil in the 1970's, taking up to 400,000 tonnes a year.

Now, its imports are down to 100,000 tonnes, and Datuk Leong would like Malaysian exporters to have a crack at that market again.

LONDON MARKETS

COCOA FUTURES firmed yesterday on the back of strong New York prices, despite sterling's strength. Prices were boosted by a lack of selling by producers, with the exception of Brazil, and by sporadic industry demand. There were also rumours of unfavourable weather and possible disease in Brazil's cocoa-growing areas.

Sugar held quite steady, with sentiment continuing to be affected by talk of dry growing conditions in the Caribbean, and particularly in the Dominican Republic.

Base metal trading on the London Metal Exchange was generally quiet and currency-dominated in a narrow range, although traders reported some trade demand for lead at the day's lower levels.

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

METALS	July 23 1985	+ or —	Month ago
Aluminium	£1100		£1100
Free Mkt	$1045/75	+7	$1030/060
Copper			
Cash h Grade	£1058	—18.5	£1099.5
3 mths	£1061.25	—19	£1117.25
Gold troy oz	$322	+3.75	$316.5
Lead Cash	£282.5	—4	£307.25
3 mths	£290.5	—4	£303.25
Nickel			
Free Mkt	227/257c	—3	250 280c
Palladium oz	$94.75	+0.5	$98.50
Platinum oz	$273.25	+3.5	$268.40
Quicksilver†	$285/295		$285/295
Silver troy oz	434.75p	—4.85	477.35p
3 mths	447.10p	—4.85	491.40p
Tin cash	£9067.5	—118.5	£9890
3 mths	£9051	—115.5	£9528.5
Tungsten	$67.49		$73.74
Wolfram 22 04lb	$62.66	+2	$56/60
Zinc	£587	—7	£586
3 mths	£535.5	—2	£579.5
Producers	$830		$880

OILS	July 23 1985	+ or —	Month ago
Coconut (Phil)	$535z	+25	$550
Palm Malayan	$470u	—15	$555
SEEDS			
Copra Phil	$340z		‡
Soyabean (U.S.)	$230.5w	+1.5	‡
GRAINS			
Barley Fut. Nov.	£101.85	—0.10	£96.85
Maize	£141.80z		£146.50
Wheat Fut. Nov.	£101.40	+0.10	£97.80
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept.	£1694.5	+21.5	£1699.5
Coffee Ft. Sept.	£1487.5	—104	£1989.5
Cotton A Index	60.35c	—0.2	62.60c
Gas Oil Sept.	$219.75	+1.75	$213.25
Rubber (kilo)	64p	—0.5	66p
Sugar (raw)	$102zw	+8	$86
Wooltops 64s	438pkilo		457pkilo

‡ Unquoted. u Aug. x Aug-Sept. w Sept. z July-Aug. † Per 76 lb flask. c Cents per pound.

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	714.5-5.5	—11.5	717.5-
3 months	737-.5	—11.75	741/735

Official closing (am): Cash 717-.5 (723-4), three months 739.5-40 (746.5-7), settlement 717.5 (724). Final Kerb close: 738.5-9.

Turnover: 25,375 tonnes.

COPPER

Higher grade	Unoffic'l close	+ or —	High/Low
Cash	1057-9	—18.5	1058.105
Three m'nths	1061-.5	—19	1085/10579

Official closing (am): Cash 1056.5-7 (1072-.5), three months 1061-.5 (1075.5-6), settlement 1057 (1072.5). Final Kerb close: 1060-1.

Cathodes			
Cash	1024-5	—14	1025/1024
Three m'nths	1039-40	—18	—

Official closing (am): Cash 1024-5 (1038-9), three months 1039-40 (1056-7), settlement 1025 (1039).

Turnover: 21,000 tonnes. U.S. producer prices 68-71 cents per pound.

LEAD

	Unofficial close(p.m.) £ per tonne	+ or —	High/Low
Cash	282-3	—4	288.5/288
3 months	290-.90	—4	295.5/291

Official closing (am): Cash 288-.5 (290-.5), three months 295-.5 (296-.5), settlement 288.5 (290.5). Final Kerb close: 291.5-2.

Turnover: 13,700 tonnes. U.S. Spot: 19-21 cents per pound.

NICKEL

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	3530-40	—100	—
3 months	3585-90	—85	3890/3578

Official closing (am): Cash 3525-30 (3625-30), three months 3575-6 (3660-5), settlement 3530 (3630). Final Kerb close: 3575-85.

Turnover: 834 tonnes.

ZINC

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	546-8	—7	—
3 months	535-6	—2	588/529

Official closing (am): Cash 544-5 (546-8), three months 533-4 (531-3), settlement 546 (548). Final Kerb close: 533-5.

Turnover: 10,075 tonnes. U.S. Prime Western: 41-44 cents per pound.

TIN

High grade	Unofficial close(p.m.) £ per tonne	+ or —	High/low for day
Cash	9067-75	—112.5	9085
3 months	9060-2	—126.5	—

Official closing (am): Cash 9070-5 (9162-5), three months 9055-60 (9165-70), settlement 9075 (9165).

Standard			
Cash	9065-70	—110.5	9075
3 months	9050-2	—115.5	9065/9050

Official closing (am): Cash 9070-1 (9161-3), three months 9050-1 (9160-1), settlement 9071 (9163). Final Kerb close: 9050-1.

Turnover: 1,305 tonnes. Straits tin M$31.05 (31.07) kilo.

LME prices supplied by Amalgamated Metal Trading

GOLD

Gold rose $3¼ to $321¼-322¼ on the London bullion market yesterday. It opened at $321¾-322¼ and was fixed at $322¾ in the morning and $322½ in the afternoon. The metal touched a peak of $323-323½ and a low of $321-321½, with the price supported by the decline of the dollar on the foreign exchanges.

GOLD BULLION (fine ounce) July 19

Close	$321¼-322¼	(£227½-228)
Opening	$321¾-322¼	(£227¾-228¼)
M'n'g fix.	$322.75	(£228.172)
Aft'n'n fix.	$322.50	(£227.947)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$330-330¾	(£233¼-234)
½ Krug.	$170¼-171	(£120½-121)
¼ Krug.	$87-87¾	(£61½-62)
1/10 Krug.	$35-35¾	(£24¾-25¼)
Mapleleaf	$331½-330¼	(£234½-235)
New Sov.	$76-7	(£53¾-54½)
½ New Sov	$46-46¾	(£32½-33)
Old Sov.	$77-78½	(£54½-56½)
$20 Eagle	$470-510	(£332½-360½)
Noble Plat	$281-284¼	(£198¾-201)

SILVER

Silver was fixed 4.85p an ounce lower for spot delivery on the London bullion market yesterday at 434.75p. U.S. cent equivalents of the fixing levels were: spot 615.8c, up 3.3c three-month 627.9c, up 3.65c; six-month 641.1c, up 3.85c; and 12-month 667.7c, up 3.25c. The metal opened at 435½-438½p (616-618c) and closed at 435½-438½p (616-619c).

SILVER per troy	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	434.75p	—4.85	432.5p	—6.5
3 months	447.10p	—4.85	445.5p	—6.5
6 months	459.40p	—5.10	—	—
12 months	481.75p	—5.30	—	—

LME—Turnover: 75 (45) lots of 10,000 oz.

Three months high 449, low 445, final kerb 444-5.

GRAINS

The markets lost 30p early in the day on lack of buying interest in thin trading but recovered to close on a steadier note in otherwise featureless conditions, reports Muirpace.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or —	Yesterdys close	+ or —
Sept.	98.00	+0.05	97.70	—0.20
Nov.	101.40	+0.10	101.25	—0.10
Jan.	105.15	+0.05	104.90	—0.25
Mar.	108.55	+0.05	108.30	—0.10
May.	112.00	+0.05	111.20	—0.10

Business done—Wheat: Sept 98.00-7.70, Nov 101.40-1.00, Jan 104.90-4.80, March 108.55-8.20, May 112.00-1.70. Sales: 64 lots of 100 tonnes. Barley: Sept 97.50 only, Nov 101.20-1.10, Jan 104.90-4.85, March 108.30-8.20, May 111.20-10.95. Sales: 43 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. dark northern spring no 1 15 per cent Aug/Sept 112.25, Oct 122, Nov 123.75 sellers transhipment east coast. U.S. no 2 soft red winter Aug 107.75, Sept 110.25, Oct 113.25, Nov 114.75 sellers. EC July 117 seller. English feed fob Aug 20/Sept 10 100.50, Sept 1-15 98.75, Oct/Dec 103.75, Jan/Mar 108.75 sellers east coast/south coast. Maize: U.S. no 3 yellow/French transhipment east coast July/Aug 141 sellers. Barley: English feed fob Aug 98.25 seller south coast, Aug 1-10 98.75, Sept 99.50, Oct 102.25 sellers east coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 95.40, S. West 94.60, W. Mids 93.20, N. East 94.00. The UK monetary coefficient for the week beginning Monday July 29 is expected to remain unchanged but is subject to confirmation.

COCOA

Despite sterling strength futures firmed on trade and commission house buying to close near the day's highs. Actuals saw some industry offtake while origins remained quiet, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
July	1745-1750	+24.0	1760-1715
Sept.	1694-1695	+21.5	1700-1687
Dec.	1685-1686	+21.0	1688-1660
Mar.	1694-1695	+20.0	1668-1671
May	1710-1713	+18.0	1710-1687
July	1726-1728	+19.5	1710-1704
Sept.	1737-1739	+13.5	1737-1721

Sales: 3,116 (1,180) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for July 23: 102.16 (98.19); five-day average for July 24: 100.48 (99.99).

RUBBER

The London physical market opened about unchanged, say very little interest throughout the day and closed quiet, reports Lewis and Peat. Closing prices (buyers) spot 64.00p (same); Aug 60.00p (60.25p); Sept 59.75p (60.00p). The Kuala Lumpur fob price for RSS No 1 was 191.5 (192.0) cents a kg and for SMR 20 was 162.0 (161.5).

INDICES

FINANCIAL TIMES

July 22	July 19	M'th ago	Year ago
266.12	266.34	280.56	294.42

(Base: July 1 1952 = 100)

REUTERS

July 23	July 22	M'th ago	Year ago
1686.8	1684.3	1771.7	1894.4

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	July 22	July 19	Month ago	Year ago
Spot	116.59	115.77	—	129.71
Fut.	116.47	116.62	—	126.64

(Base: December 31 1974 = 100)

COFFEE

During an active session losses of around £100 were established on steadier sterling and commission house selling reports DBL. Despite a recovery of £15 fresh contract lows were seen across the board as trade selling emerged during a weaker close.

COFFEE	Yesterd'ys Close	+ or —	Business Done
July	1455-1457	—97.0	1524-1455
Sep	1486-1489	—104.0	1569-1488
Nov.	1524-1528	—103.5	1612-1525
Jan.	1576-1578	—96.5	1658-1570
March	1616-1620	—93.0	1690-1625
May	1664-1685	—85.5	1725-1680
July	1700-1710	—77.0	1760-1698

Sales: 4,352 (1,861) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for July 22: Comp. daily 1979 118.14 (118.53); 15-day average 123.37 (124.09).

SUGAR

LONDON DAILY PRICE—Raw sugar $102.00 (£72.00), up $8.00 (up £4.50) a tonne for July-August-September delivery. White sugar $142.50, up $7.00.

The rally continued until the key chart point of $109.80 was reached on October after some profit-taking weakened prices, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug	99.0-101.0	102.0-102.8	104.0-100.0
Oct	106.0-106.2	107.0-107.2	110.4-104.2
Dec	110.2-100.6	118.2-110.6	114.0-110.0
Mar.	119.0-119.2	118.4-119.6	125.6-117.0
May	122.6-123.0	123.0-123.6	127.0-122.8
Aug	126.6-127.2	126.6-127.6	129.0-129.0
Oct	131.0-131.6	130.0-131.0	135.4-131.0

Sales: 5,194 (3,280) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £175.00 (£170.00) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribean ports.) Prices for July 22: Daily price 3.40 (3.26): 15-day average 2.86 (2.81).

SOYABEAN MEAL

The market opened 70p down on stronger sterling, reports T. G. Roddick. Prices steadied late in the day on commission house buying.

	Yesterday close £ per tonne	+ or —	Business Done
August	101.0-112.0	—3.00	107.5
October	113.0-113.3	—0.70	113.0
Dec.	118.0-118.5	—0.15	118.5-118.0
Feb.	123.0-123.5	—0.90	123.5
Apr.	124.0-125.0	—0.25	—
June.	125.0-128.5	—	125.3
August	128.0-129.5	—0.20	—

Sales: 170 (180) lots of 20 tonnes.

OIL

In thin trading Brent gained 20c for September and 10c for August. West African and North Sea crude were on offer for August loading. Nymex WTI opened 9c up for September and traded 14c up at 1 pm EST. In the petroleum products market naptha weakened on a growing surplus of prompt supplies. Gas oil cargo prices firmed due to stronger barge prices—Petroleum Argus, London.

SPOT PRICES

CRUDE OIL—FOB ($ per barrel)— Aug.	Latest	Change + or —
Arab Light	27.00-27.10	—
Arab Heavy	24.90-25.00	—
Dubai	25.55-25.65	—0.025
Brent Blend	26.65-26.75	+0.025
W.T.I. (1pm est)	27.75-27.85	+0.50
Forcados (Nigeria)	26.60-26.75	—
Urals (cif NWE)	25.90-25.95*	—

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	285-287	—
Gas Oil	223-225	+1.5
Heavy fuel oil	130-132	+1
Naphtha	261-264	—2

*July/August

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or —	Business Done
Aug	221.75	+2.00	222.50-21.25
Sep	219.75	+1.75	220.50-19.00
Oct.	219.75	+1.50	220.50-19.25
Nov	221.50	+1.75	221.50-21.00
Dec.	222.75	+1.00	222.75
Jan.	223.00	+2.00	—

Turnover: 1,577 (674) lots of 100 tonnes.

POTATOES

Stop-loss buying firmed all positions on the opening, but profit-taking selling interest was keen at £1.00 up and values were quickly trimmed. Slightly warmer and drier weather prospects brought out further selling interest in distant months but near positions held up, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
Nov.	58.20	57.50	58.80-57.60
Feb.	66.80	66.00	66.00
Apr.	77.70	78.00	79.00-77.30
May	83.60	84.00	84.00-85.50

Sales: 284 (306) lots of 40 tonnes.

PIGMEAT

Spot August attracted little trading, but interest is still showing in winter months although the market awaits the June agricultural census figures to provide a fresh lead, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
Aug.	107.20	107.10	107.50-107.00
Oct.	107.10	106.80	—
Nov.	108.00	107.70	—
Feb.	99.30	99.30	—
April	99.50	99.60	—
June.	98.70	98.60	—

Sales: 8 (33) lots of 50 carcases, 3,250 kg.

FREIGHT FUTURES

After opening fractionally easier the market remained dull until selling pressure developed in spot July at the close, bringing it down into line with the BFI, irrespective of rumours of firmer rates in the physical market, reports Clarkson Wolff. The Baltic Freight Index was 758.5, down 1.

	Close	High/Low	Prev.
July	758/759	765/759	765/769
Oct.	858/859	858/855	858/860
Jan.	898/899	900	899/900
April	945/948	946	945/951
July	880/900	—	870/900
Oct.	975/1025	—	955/1010
Jan.	985/1025	—	980/1035
April	1010/1050	—	1000/1050

Turnover: 83 (103).

U.S. MARKETS

GOLD AND SILVER were generally weak on the dollar recouping early losses along with disappointment over the inability of gold to sustain recent gains despite the tension in South Africa, reports Heinold Commodities. Copper traded modestly lower on light selling in sympathy with precious metals. Sugar consolidated following recent gains awaiting fresh physical interest. Cocoa gained ground on reports that Brazilian shippers had requested shipping extensions. Coffee was sharply lower on follow-through selling reflecting a lack of frost in Brazil and good availability. Cotton traded mixed with light selling noted in sympathy with weakness to soyabeans. Heating oil prices firmed up as Opec discussions centred on differentials rather than outright price cuts; spot supplies are tight, supporting the strength in cash markets.

NEW YORK

ALUMINIUM 40,000 lb. cents/lb

	Close	High	Low	Prev
July	44.50	—	—	44.30
Aug	44.70	—	—	44.50
Sept	44.95	45.25	44.95	44.75
Dec	45.95	46.20	45.95	45.70
Jan	46.30	—	—	46.00
March	46.95	46.95	46.90	46.65
May	47.65	—	—	47.35
July	48.35	—	—	48.05
Sept	49.05	—	—	48.75
Jan	50.44	—	—	50.15

COCOA 10 tonnes; $/tonnes

	Close	High	Low	Prev
Sept	2115	2119	2083	2074
Dec	2155	2161	2136	2115
March	2175	2180	2158	2135
May	2190	2200	2175	2153
July	2203	—	—	2180
Sept	2214	—	—	2191
Dec	2224	2235	2225	2201

COFFEE "C" 37,000 lbs, cents/lbs

	Close	High	Low	Prev
July	137.28	139.00	137.40	139.33
Sept	131.32	134.50	131.25	135.48
Dec	134.01	136.50	134.00	137.14
March	136.00	137.80	135.50	138.20
May	136.33	138.30	136.20	138.07
Sept	137.28	138.20	138.00	139.38
Dec	137.13	—	—	140.00

ORANGE JUICE 15,000 lbs, cents/lbs

	Close	High	Low	Prev
Sept	136.35	137.40	134.70	134.70
Nov	133.45	133.50	132.75	132.75
Jan	130.65	130.75	130.50	130.50
March	130.45	130.50	130.25	130.50
May	130.25	—	—	130.50
July	130.25	—	—	130.50

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Oct	59.75	60.20	59.65	59.81
Dec	59.50	60.24	59.40	59.90
March	60.15	60.75	60.04	60.40
May	60.05	60.63	60.30	60.30
July	59.50	59.95	58.50	59.72
Oct	50.34	55.45	54.30	54.80
Dec	53.50	54.45	53.50	54.05

CRUDE OIL (LIGHT) 42,000 U.S. gallons: $/barrels

	Latest	High	Low	Prev
Sept	27.13	27.20	26.96	26.91
Oct	26.41	26.46	26.24	26.15
Nov	25.91	25.95	25.76	25.68
Dec	25.57	25.60	25.41	25.31
Jan	25.25	25.36	25.18	25.06
Feb	24.93	25.01	24.90	24.81
March	24.63	24.75	24.58	24.55
April	24.40	24.40	24.35	24.32
May	24.20	24.20	24.10	24.12
June	24.05	24.05	23.99	23.92

GOLD 100 troy oz. $/troy oz

	Close	High	Low	Prev
July	317.8	322.0	322.0	321.7
Aug	318.3	224.2	318.1	322.3
Sept	322.01	—	—	324.2
Oct	322.0	328.0	321.8	326.0
Dec	326.0	332.0	325.5	330.0
Feb	330.3	336.0	330.8	334.3
April	334.6	340.0	336.1	338.6
June	339.3	343.7	343.7	343.3
Aug	334.2	349.4	349.0	348.2
Oct	349.3	—	—	353.3
Dec	354.6	359.5	359.5	358.6
Feb	360.1	—	—	364.1
April	365.6	—	—	369.6

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
Aug	68.65	68.85	68.30	68.28
Sept	69.55	69.70	69.15	68.93
Oct	70.50	70.60	70.10	69.81
Nov	71.20	71.30	70.95	70.53
Dec	71.90	72.10	71.75	71.30
Jan	72.20	72.20	72.05	71.60
Feb	71.60	—	—	71.13

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
July	62.00	62.50	61.60	62.20
Aug	62.05	—	—	62.25
Sept	62.50	63.25	61.80	62.70
Dec	63.65	64.40	63.10	63.90
Jan	63.95	—	—	64.20
March	64.55	65.30	64.30	64.80
May	64.95	—	—	65.20
July	65.33	66.00	66.00	65.60
Sept	65.75	66.40	66.40	66.00
Dec	66.35	67.00	67.00	66.60

PLATINUM 50 troy oz. $/troy oz

	Close	High	Low	Prev
July	609.3	619.5	610.0	614.1
Aug	610.8	—	—	615.8
Sept	615.0	625.0	614.0	620.0
Dec	627.4	638.5	626.0	632.4
Jan	632.0	—	—	637.0
March	640.6	651.0	642.0	645.6
May	649.6	657.5	657.5	654.6
July	659.2	667.0	664.0	664.2
Sept	669.3	—	—	674.3
Dec	684.8	694.0	694.0	689.8

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
July	609.3	619.5	610.0	614.1
Aug	610.8	—	—	615.8
Sept	615.0	626.0	614.0	620.0
Dec	627.4	638.5	626.0	632.4
Jan	632.0	—	—	637.0
March	640.6	651.0	642.0	645.6
May	649.6	657.5	657.5	654.6
July	659.2	667.0	664.0	664.2
Sept	669.3	—	—	674.3
Dec	684.8	694.0	694.0	689.8

SUGAR WORLD "II" 112,000 lbs, cents/lbs

	Close	High	Low	Prev
Sept	3.68	3.80	3.46	3.62
Oct	3.79	3.94	3.63	3.77
Jan	4.06	4.15	3.95	4.00
March	4.31	4.60	4.18	4.30
May	4.48	4.66	4.36	4.45
July	4.70	4.85	4.62	4.64
Sept	4.74	—	—	4.70
Oct	4.85	5.08	4.82	4.87

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lbs

	Close	High	Low	Prev
Aug	45.65	55.20	53.45	54.17
Oct	56.40	57.65	56.35	56.22
Dec	59.02	60.17	58.95	58.72
Feb	60.07	61.10	60.00	59.67
April	61.50	62.30	61.50	60.87
June	62.27	62.70	62.27	61.70

LIVE HOGS 30,000 lbs, cents/lbs

	Close	High	Low	Prev
Aug	44.95	45.70	44.90	45.02
Oct	40.47	41.20	40.30	40.65
Dec	42.30	43.15	42.20	42.70
Feb	43.92	44.47	43.60	43.87
April	41.90	42.55	41.60	41.80
June	44.20	44.90	43.80	44.15
July	44.90	44.90	44.50	44.40
Aug	44.40	44.40	44.40	44.40

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
Sept	243.2	247.0	242.0	244.6
Dec	234.2	237.4	234.0	236.2
March	242.0	245.2	242.0	242.6
May	247.2	249.6	247.0	247.4
July	248.2	250.6	248.2	248.4
Sept	233.6	235.0	233.6	234.2
Dec	221.4	225.2	221.0	225.2

PORK BELLIES 38,000 lb; Cents/lb

	Close	High	Low	Prev
July	51.32	52.45	50.90	51.32
August	50.97	52.40	50.70	51.47
Feb	62.07	63.90	61.75	63.37
March	61.55	63.80	61.55	62.75
May	62.30	63.80	62.30	63.40
July	63.00	63.70	63.00	64.00
August	61.65	62.25	61.65	62.60

SOYABEANS 5,000 bu min; cents/60lb-bushel

	Close	High	Low	Prev
August	541.0	568.0	540.4	556.0
Sept	536.6	554.0	536.0	550.4
Nov	541.0	558.4	540.0	554.0
Jan	551.2	568.0	551.0	564.0
March	561.6	578.0	561.4	575.4
May	570.2	585.0	570.0	581.2
July	571.0	587.0	571.0	583.6
August	565.6	583.0	565.4	579.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Aug	124.7	129.2	124.4	127.4
Sept	127.6	131.9	127.2	130.1
Oct	129.7	134.0	129.4	132.5
Dec	134.5	139.5	134.0	137.4
Jan	137.0	141.5	136.7	139.8
March	140.5	145.0	140.5	142.7
May	142.5	146.0	142.5	145.3
July	147.7	152.0	147.5	151.0

SOYABEAN OIL 60,000 lb; cents/lb

	Close	High	Low	Prev
August	26.06	26.65	26.07	26.54
Sept	25.44	26.05	25.42	25.90
Oct	24.96	25.45	24.90	25.40
Dec	24.47	24.82	24.40	24.75
Jan	24.21	24.55	24.20	24.52
March	24.15	24.46	24.15	24.43
May	24.08	24.25	24.05	24.35
July	23.97	24.30	23.93	24.22
August	23.90	24.20	23.90	24.13
Sept	23.86	24.00	23.85	24.00

WHEAT 5,000 bu min cents/60 lb-bushel

	Close	High	Low	Prev
Sept	301.0	306.6	301.6	305.2
Dec	308.6	315.0	308.4	313.6
March	308.4	314.6	308.4	313.4
May	298.4	304.4	298.4	303.4
July	279.4	284.4	279.4	283.2
Sept	283.0	288.0	283.0	288.0

OTHER MARKETS

MEAT

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 78.0 to 81.0; English forequarters 53.0 to 56.5; Ulster hindquarters 85.0 to 91.0; Eire hindquarters 88.0 to 90.5. Veal: Dutch hinds and ends 141.0 to 146.0. Lamb: English small 66.0 to 74.0, medium 64.0 to 70.0, heavy 62.0 to 64.0; Scotch heavy 62.0 to 63.5; Imported: New Zealand PL 65.0 to 66.0, PX 65.0 to 66.0. Pork: English under 100 lb 45.0 to 56.5, 100-120lb 49.5 to 54.0, 120-160 lb 42.0 to 48.0.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 95.86p per kg lw (+0.06). GB—Sheep 157.64p per kg est dcw (+3.99). GB—Pigs 76.75p per kg lw (+2.63).

ROTTERDAM

WHEAT — (U.S. $ per tonne) (U.S. No. 2 Soft Red Winter: Aug 133.50, Sept 137, Oct 140.50, Nov 142.50. U.S. No. 2 Northern Spring, 14 per cent protein: Aug 153.50, Sept 152.50, Oct 155, Nov 158. U.S. Northern Spring, 15 per cent protein: Aug 164.50, Sept 163.50, Oct 166, Nov 169. U.S. No. 3 Hard Amber Durum: July 168, Aug 167, Sept 157.50, Oct 161.50, Nov 164.50. Canadian No. 1 Western Red Spring, 13.5 per cent: Aug 169, Sept 168, Oct 171. Canadian No. 1 Western Amber Durum: Aug 173, Sept 173, Oct 176.50, Nov 15/Dec 15 181.

MAIZE — (U.S. $ per tonne) U.S. No. 3 Yellow: Afloat 129, July 129, Aug 127, Sept 122, Oct/Dec 116.50, Jan/March 119.50, sellers. Argentine, Plate: Afloat 132, July 132, Aug 133.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 143 tonnes. Fair trading took place with interest in West African, Colombian and Pakistani growths.

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg July 580.0, 622.0, 610.0-590.0; Oct 604.0, 609.0, 609.0; Dec 608.0, 609.0, 609.0-608.0; Mar 620.0, 625.0, 620.0; May 627.0, 628.0, nil; July 630.0, 638.0, nil;

SPOT PRICES—Chicago loose lard 16.00 (same) cents per pound. New York tin 589.0-91.0 (586.0-88.0) cents per pound. Handy and Harman silver bullion 613.0 (612.5) cents per pound.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar loses ground again

The dollar weakened on the foreign exchanges yesterday, continuing the trend seen in New York Monday night. U.S. dealers appeared to be disappointed at the failure of the dollar to sustain a level above DM 2.90, after the devaluation of the Italian lira had created nervousness among many European currencies. Long positions taken out in the wake of the lira crisis were unwound, pushing the dollar down in early trading. It then stabilised at around DM 2.85, and showed little reaction to yesterday's economic data from the U.S. The inflation rate, measured by the consumer price index was in line with expectations, but the rise of 1.8 per cent in June durable goods orders compared with some forecasts of a fall of up to 3 per cent. This set of figures is generally considered erratic however, and although the dollar received a small boost on its publication, the large defence component in the figure led to a later decline.

The dollar fell to DM 2.8505 from DM 2.8980; FFr 8.66 from FFr 8.7975; SwFr 2.34 from SwFr 2.3785; and Y237.90 from Y240.05.

On Bank of England figures the dollar's index fell to 137.4 from 139.0.

STERLING—Trading range against the dollar in 1985 is 1.4125 to 1.0525. June average 1.2813. Exchange rate index rose 0.6 to 84.2. It also opened at 84.2, and after falling to an early low of 84.1, touched a peak of 84.4 in the afternoon.

Sterling attracted funds moving out of the dollar again yesterday, but finished around the middle of the day's range, after a very strong opening. Optimism about the outcome of the Opec meeting in Geneva helped to lift the pound, which remained suported by the high level of London interest rates. Sterling gained 2.20 cents to $1.4105-$1.4115, and also rose to DM 4.03 from DM 4.0250; FFr 12.21 from FFr 12.2075; SwFr 3.3025 from SwFr 3.30; and Y336 from Y333.50.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.8375. June average 3.0639. Exchange rate index 125.1, against 120.2 six months ago.

The D-mark improved against the dollar, with the U.S. currency ending just above the day's lows in Frankfurt. The dollar fell to DM 2.8470 from DM 2.892250, and down from around DM 2.86 touched just after the figures on consumer prices and durable goods orders published during the afternoon. The U.S. inflation rate for June was much as expected, but durable goods were rather better than most forecasts, although there was concern that defence goods made up a large part of the figure. Dealers also suggested the D-mark attracted funds from other members of the EMS, on concern about another possible realignment in the system. Earlier in the day the dollar was fixed at DM 2.85 in Frankfurt, compared with DM 2.8856 on Monday, without any intervention by the Bundesbank.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 23	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	45.1685	+74	+74	NA
Danish Krone	8.12857	8.06865	−0.74	−0.74	NA
German D-mark	2.23840	2.24562	+3.2	+3.2	NA
French Franc	6.86402	6.82432	−0.58	−0.58	NA
Dutch Guilder	2.52208	2.52569	+0.14	+0.14	NA
Irish Punt	0.724578	0.716182	−1.17	−1.17	NA
Italian Lira	1520.60	1503.12	−1.16	−1.16	NA

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING INDEX

		July 23	Previous
8.30 am	......	84.2	83.6
9.00 am	......	84.1	83.7
10.00 am	......	84.3	83.5
11.00 am	......	84.3	83.8
Noon	......	84.3	83.7
1.00 pm	......	84.4	83.8
2.00 pm	......	84.2	83.7
3.00 pm	......	84.4	83.5
4.00 pm	......	84.2	83.6

£ IN NEW YORK

	July 23	Prev. close
£ Spot	$1.4060-1.4070	$1.3990-1.4000
1 month	0.54-0.50 pm	0.52-0.50 pm
3 months	1.27-1.23pm	1.30-1.28 pm
12 months	3.15-3.06pm	3.25-3.28 pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

July 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4000-1.4210	1.4105-1.4115	0.54-0.51c pm	4.46	1.27-1.22c pm	3.52
Canada	1.8970-1.9074	1.9040-1.9070	1 pm-par d c dis	−3.15	2-1 pm	3.15
Nethlnd.	4.50¼-4.55	4.52¼-4.53¼	2⅜-2¼c pm	6.29	6½-6¼ pm	5.63
Belgium	80.76-81.43	80.80-80.90	28-22c pm	3.71	62-53 pm	2.84
Denmark	14.41-14.47¾	14.41-14.42	3¼-2½ore pm	2.60	8¼-7½ pm	1.94
Ireland	1.2804-1.2887	1.2812-1.2822	0.31-0.18c pm	2.29	0.64-0.44 pm	1.69
W. Ger.	4.01-4.04½	4.02½-4.03½	2¾-2½pf pm	7.82	6⅞-6⅝ pm	6.70
Portugal	233.93-239.96	233.93-237.72	180-525c dis	−18.00	465-1575dis	−17.36
Spain	233.29-234.63	233.29-233.82	65-95c dis	−4.71	280-330dis	−5.22
Italy	2688¼-2705½	2694½-2695½	8 pm-1 dis lire	0.18	0-11 dis	0.27
Norway	11.68-11.75	11.68-11.69	¾-par ore dis	−1.89	1¼-2¼ dis	−2.59
France	12.18¾-12.29	12.20½-12.21½	2¾-1⅞c pm	2.38	5⅜-4⅞ pm	1.52
Sweden	11.76½-11.83½	11.77¼-11.78¼	2½-3¼ore dis	−2.80	8½-9¼ dis	−3.01
Japan	335¼-338¼	335½-336½	2-1¾y pm	0.07	4¼-4⅜ pm	0.06
Austria	28.21-28.33	28.26-28.30	16½-14⅞gro pm	6.68	41½-37½ pm	5.64
Switz.	3.29½-3.31¼	3.29½-3.30½	2¼-2c pm	7.73	5⅜-5¼ pm	6.45

Belgian rate is for convertible francs. Financial franc 81.41-81.55. Six-month forward dollar 2.15-2.10c pm. 12-month 3.17-3.02c pm

DOLLAR SPOT—FORWARD AGAINST DOLLAR

July 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4000-1.4210	1.4105-1.4115	0.54-0.51c pm	4.46	1.27-1.22c pm	3.52
Ireland†	1.0930-1.1053	1.1004-1.1014	0.24-0.16c pm	2.18	0.57-45 pb	1.85
Canada	1.3443-1.3478	1.3450-1.3460	0.08-0.11c dis	−0.85	0.26-0.31dis	−0.85
Nethlnd.	3.1880-3.2225	3.2040-3.2050	0.50-0.46c pm	1.80	1.52-1.48 pm	1.87
Belgium	57.15-57.55	57.20-57.30	4-5c dis	−0.94	13-15 dis	−0.98
Denmark	10.19-10.29½	10.24¼-10.24¾	½-1¼ore dis	−1.02	2½-3 dis	−1.07
W. Ger.	2.8345-2.8655	2.8500-2.8510	0.80-0.75pf pm	3.74	2.27-2.22 pm	3.61
Portugal	165-169	165-167	150-400c dis	−19.76	500-1300dis	−21.58
Spain	164.70-166.30	165.30-165.70	100-150c dis	−9.08	325-425 dis	−9.08
Italy	1,904-1,916	1,905-1,906	6-8 lire dis	−9.25	20-24 dis	−29.06
Norway	8.27½-8.32	8.28½-8.29½	2⅞-3¼ ore dis	−4.32	8½-9 dis	−4.22
France	8.6210-8.6950	8.65½-8.66¼	1.45-1.65c dis	−2.15	4.00-4.40dis	−1.94
Sweden	8.33-8.38	8.33½-8.34¼	5-5½ ore dis	−7.54	13¾-14¼ dis	−6.70
Japan	237.25-238.50	237.80-238.00	0.40-0.36y pm	1.92	1.12-1.07 pm	0.91
Austria	20.00-20.10½	19.93-19.96	4-3½gro pm	2.26	11-8½ pm	1.95
Switz.	2.3270-2.3525	2.3400-2.3410	0.69-0.63c pm	3.39	1.81-1.75 pm	3.04

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 57.70-57.80.

OTHER CURRENCIES

July 22	£	$		£ Note Rates
Argentina Austl.	1.1340-1.1360	0.8000-0.8010	Austria	28.20-28.60
Australia Dollar	1.9755-1.9795	1.3970-1.3989	Belgium	81.45-82.25
Brazil Cruzeiro	8,911-8,946	6,300-6,320	Denmark	14.40-14.55
Finland Markka	8.4334-8.4606	5.9720-5.9740	France	12.16-12.30
Greek Drachma	182.12-186.11	129.03-131.75	Germany	4.01-4.05
HongKong Dollar	10.9550-10.9750	7.7490-7.7590	Italy	2680-2720
Iran Rial	128.00*	89.70*	Japan	335-338
KuwaitDinar(KD)	0.4254-0.4159	0.30085-0.30100	Netherlands	4.51-4.65
Luxembourg Fr.	81.41-81.55	57.70-57.80	Norway	11.65-11.76
Malaysia Dollar	3.1125-3.1225	2.4615-2.4635	Portugal	228-240
New Zealand Dlr.	2.7446-2.7525	1.9379-1.9417	Spain	226-236
Saudi Arab Riyal	5.1618-5.1661	3.6505-3.6510	Sweden	11.74-11.86
Singapore Dollar	3.4800-3.4900	2.2005-2.2025	Switzerland	3.29-3.32
Sth African Rand	2.6673-2.6795	1.8867-1.8903	United States	1.40-1.42
U.A.E. Dirham	5.1922-5.1972	3.6720-3.6730	Yugoslavia	395-422

* Selling rate.

CURRENCY MOVEMENTS

July 23	Bank of England Index	Morgan Guaranty Change %
Sterling	84.2	−5.6
U.S. dollar	137.4	+24.2
Canadian dollar	87.1	−6.5
Austrian schilling	115.5	+4.8
Belgian franc	71.0	−10.6
Danish Kroner	79.6	−5.1
Deutsche mark	125.1	+7.6
Swiss franc	147.5	+11.3
Guilder	116.5	+3.9
French franc	67.1	−14.0
Lira	48.9	−20.5
Yen	157.8	+13.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

July 23	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.728057	0.556946
U.S. $	7½	1.03020	0.787800
Canadian $	9.45	*	1.05975
Austria Sch.	4½	20.6339	15.7718
Belgian Fr.	9½	59.0588	45.6348
Danish Kr	7	N/A	8.06865
Dmark	4½	2.93607	2.24562
Guilder	5½	N/A	2.52569
French Fr	9½	8.92568	6.82432
Lira	15½	1965.42	1503.12
Yen	5	246.115	187.576
Norway Kr	8	8.53675	6.52274
Span'h Pta.	—	170.496	130.381
Swedish K.	10½	8.59032	6.57931
Swiss Fr.	4	N/A	1.85350
Greek Dr'ch	20½	134.665	102.687
Irish Punt	13¾	0.936545	0.716182

*C$/SDR rate for July 22: 1.38458.

EXCHANGE CROSS RATES

July 23	Pound St'rling	U.S. Dollar	Deutschem'k	J'panese Yen	French Fr. 10	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.389	4.025	333.5	12.21	3.300	4.520	2700.	1.876	81.65
U.S. Dollar	0.720	1.	2.850	237.9	8.66	2.378	3.204	1905.5	1.330	57.25
Deutschemark	0.248	0.345	1.	82.86	3.033	0.820	1.123	670.8	0.466	20.29
Japanese Yen 1,000	2.999	4.165	12.07	1000.	36.60	9.895	13.55	8096.	5.624	244.8
French Franc 10	0.819	1.138	3.297	273.2	10.	2.703	3.703	2212.	1.537	66.89
Swiss Franc	0.303	0.421	1.220	101.1	3.699	1.	1.370	818.2	0.568	24.74
Dutch Guilder	0.221	0.307	0.898	73.78	2.701	0.730	1.	597.3	0.415	18.06
Italian Lira 1000	0.370	0.514	1.490	123.5	4.521	1.222	1.674	1000.	0.695	30.24
Canadian Dollar	0.533	0.741	2.146	177.8	6.508	1.759	2.410	1439.	1.	43.53
Belgian Franc 100	1.225	1.701	4.930	408.5	14.95	4.042	5.536	3307.	2.297	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

July 23	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	12½-12⅝	7⅝-7¾	7⅞-8⅜	6⅛-6¼	1¼-1½	4 13/16-5 1/16	9⅝-9¾	9 1/16-10	8⅛-8⅜	8⅛-8⅜	6⅛-6⅝	10-10½
7 days' notice	12 1/16-12 3/16	7 11/16-7 15/16	8⅜-8⅝	6⅛-6⅜	1¼-1½	4 13/16-5 1/16	9⅝-9¾	9-10	8⅝-8⅞	8½-8¾	6⅜-6⅝	9½-10
Month	12¼-12⅜	8-8⅛	8⅝-8⅞	6¼-6⅜	5-5⅛	5-5⅛	9 15/16-10 1/16	10½-12	8¾-9	8⅝-8⅞	6¼-6⅜	9½-10
Three months	11⅞-12	8⅛-8¼	8⅞-9⅛	6 3/16-6 5/16	5⅛-5¼	5 3/16-5 5/16	10 1/16-10 3/16	12-13	8⅞-9⅛	8⅞-9⅛	6¼-6⅜	9¼-9¾
Six months	11 13/16-11 15/16	8 5/16-8 7/16	9⅛-9⅜	6 5/16-6 7/16	5 3/16-5 5/16	5⅛-5¼	10¼-10⅝	12½-13½	9-9¼	9-9¼	6¼-6⅜	9½-10
One year	11 11/16-11 13/16	8 9/16-8 11/16	9⅜-9⅝	6 5/16-6 7/16	5⅛-5¼	5 5/16-5 7/16	10⅝-10⅞	13¼-14	9⅜-9⅝	9¼-9½	6¼-6⅜	9½-10

Asian $ (closing rates in Singapore): Short-term 8-8⅛ per cent; seven days 8-8⅛ per cent; one month 8 1/16-8 3/16 per cent; three months 8¼-8¾ per cent; six months 8 5/16-8 7/16 per cent; one year 8 11/16-8 13/16 per cent. Long-term Eurodollars: two years 9½-9¾ per cent; three years 10-10¼ per cent; four years 10¼-10½ per cent; five years 10½-10¾ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

Confusion over data

Eurodollar futures closed little changed on the London International Financial Futures Exchange yesterday, after a period of confusion in the afternoon, following publication of U.S. durable goods orders for June. September Eurodollars opened firmer at 91.74, and traded up to 91.78 on good early buying interest. The opening of Chicago took the price up to the day's peak of 91.81, but the announcement of the durable goods figure left the market wobbling between 91.65 and 91.75, before the September contract closed at 91.70, compared with 91.69 previously. The rise of 1.8 per cent in June durable goods orders, was above the level of most forecasts, which ranged down to a fall of 3 per cent, and should have been a depressing factor, but when the defence spending was excluded the rise was only 0.7 per cent, and this produced the confused late trading.

U.S. Treasury bonds for September delivery opened little changed at 76-00, and fell to a low of 75-17, when buying interest resumed, and the contract finished at 75-27, compared with 76-01 on Monday.

LONDON

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	75-27	76-06	75-17	76-01
Dec	74-25	—	—	74-31
March	73-24	—	—	73-30

Est. volume 3376 (1747)
Previous day's open int. 2941 (—)

SWISS FRANCS
SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Sept	0.4305	0.4305	0.4263	0.4230

Est. volume 9 (40)
Previous day's open int. 181 (—)

JAPAESE YEN
Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	0.4220	0.4221	0.4207	0.4179

Est. volume 26 (8)
Previous day's open int. 468 (—)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
Sept	123.70	123.90	123.35	124.35
Dec	124.50	—	—	125.15

Est. volume 348 (205)
Previous day's open int. 1595 (—)

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
Sept	112-25	113-04	112-17	112-04
Dec	112-30	—	—	112-09
March	113-15	—	—	112-28

Est. volume 2363 (1400)
Previous day's open int. 3869 (—)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) −25 −15 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.4080	1.4140	1.4010	1.3820
Dec	1.3970	1.3990	1.3975	1.3770
March	1.3900	—	—	1.3756

Est. volume 229 (182)
Previous day's open int. 3002 (—)

DEUTSCHE MARKS
DM 125,000 $ per DM

	Close	High	Low	Prev
Sept	0.3542	0.3542	0.3510	0.3472
Dec	0.3572	—	—	0.3515

Est. volume 40 (57)
Previous day's open int. 425 (—)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
Sept	91.70	91.81	91.65	91.69
Dec	91.28	91.36	91.24	91.27
March	90.86	90.94	90.85	90.85
June	90.50	90.55	90.44	90.47
Sept	90.15	—	—	90.12

Est. volume 7117 (4761)
Previous day's open int. 18495 (—)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
Sept	88.72	88.77	88.66	88.57
Dec	89.39	89.41	89.34	89.24
March	89.56	89.58	89.55	89.42
June	89.60	—	—	89.50

Est. volume 1889 (1163)
Previous day's open int. 6775 (—)

CHICAGO

U.S. TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	75-25	76.02	75-19	75-27
Dec	74-23	75-00	74-18	74-25
March	73-28	74-00	73-20	73-27
June	72-30	73-04	72-27	72-31
Sept	72-04	72-10	72-03	72-06
Dec	71-13	71-18	71-13	71-15
March	70-25	70-28	70-21	70-25
June	70-05	70-08	70-01	70-05
Sept	—	—	—	—
Dec	69-00	69-03	68-29	69-00
March	68-15	68-18	68-12	68-15

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	92.69	92.74	92.60	92.74
Dec	92.39	92.44	92.33	92.44
March	92.04	92.07	92.02	92.09
June	91.73	91.73	91.69	91.76
Sept	91.43	91.43	91.39	91.47
Dec	91.13	91.14	91.12	91.19
March	90.91	90.91	90.90	90.95
June	90.69	—	90.69	90.74

CERT. DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	92.00	92.08	91.97	92.04
Dec	91.58	91.61	91.54	91.61
March	91.17	91.24	91.17	91.18
June	90.80	90.80	—	90.79
Sept	—	—	—	—
Dec	—	—	—	—

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	91.68	91.75	91.63	91.72
Dec	91.25	91.31	91.20	91.29
March	90.82	90.88	90.80	90.86
June	90.43	90.49	90.42	90.47
Sept	90.10	90.12	90.08	90.12
Dec	89.78	89.82	89.78	89.80
March	89.49	89.52	89.48	89.50
June	89.22	89.22	89.21	89.22

STERLING (IMM) $s per £

	Latest	High	Low	Prev
Sept	1.4160	1.4160	1.4110	1.3730
Sept	1.4070	1.4100	1.3980	1.3885
Dec	1.3985	1.4010	1.3910	1.3790
March	1.3930	1.3940	1.3890	1.3725
Sept	—	—	—	1.2505
Dec	—	—	—	1.2505

GNMA (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	75-11	75-18	75-09	75-17
Dec	74-18	74-25	74-16	74-23
March	—	—	—	—
June	73-15	73-16	73-15	73-17
Sept	—	—	—	72-29

MONEY MARKETS

London rates fall slightly

Interest rates eased slightly on the London money market yesterday, as sterling gained ground against the dollar and other major currencies on the foreign exchanges. Hopes remain alive of a further cut in clearing bank base rates within the next few weeks, after a reasonably satisfactory outcome to the meeting of Opec ministers in Geneva. This made discount houses reluctant sellers of bills outright to the Bank of England at the present dealing rates, and most of the help given to the market was provided by repurchase agreements on bills and late assistance to the houses.

UK clearing banks base-lending rate 12 per cent since July 11-16.

Three-month interbank fell to 11 13/16-11 11/16 per cent from 11⅞-12 per cent, while the houses buying rates for three-month eligible bank bills were unchanged at 11⅝ per cent.

The Bank of England forecast a money market shortage of £750m in the morning, but changed this to £800m at noon. Total help provided by the authorities was £665m.

Before lunch the Bank of England bought £291m bills, including £67m outright, by way of £56m bank bills in band 2 (15-33 days maturity) at 11 11/16 per cent; and £11m bank bills in band 3 (34-63 days) at 11⅝ per cent. Another £224m bills were purchased for resale to the market on August 14 at 11 27/32-11 31/32 per cent.

In the afternoon further assistance of £19m was provided, when the authorities bought £19m bank bills in band 2 at 11 11/16 per cent.

Late assistance of £355m was also given to the market.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £439m, with the unwinding of repurchase agreements on bills absorbing £289m, and Exchequer transactions another £155m. These factors outweighed a fall in the note circulation adding £40m to liquidity, and bank balances above target by £95m.

In New York Federal funds traded around 7¾-7⅞ per cent, without any intervention by the Federal Reserve. A rise in Treasury balances at the Fed towards the end of last week was earlier suggested as a possible reason for the central bank injecting reserves through customer repurchase agreements.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 23)

3 months U.S. dollars	
bid 8⅛	offer 8¼

6 months U.S. dollars	
bid 8¼	offer 8⅜

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

July 23	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.00-5.10	9¾	1⅛-1⅜	6⅜-6⅝	6.21875	14½-14⅞	5.15	—
One month	5.05-5.20	9⅝-9¾	5 5/16-5 7/16	6 5/16-6 7/16	6.34375	13¾-14⅛	8 11/16-8 13/16	—
Two months	5.05-5.20	9 11/16-9 13/16	—	—	—	—	—	—
Three months	5.05-5.20	9¾-9⅞	5⅛-5¼	6 5/16-6 7/16	6.34375	14¼-14⅝	8⅞-9	—
Six months	5.10-5.30	9⅞-10	—	6⅛-6¼	—	—	—	—
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	9⅝	—	6⅝	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

July 23 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	12¼-14	12½	12¾	12¼-12¾	—	—	—	—	—
2 days notice	—	—	12⅝-12½	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12½-12⅝	12⅝-12½	12⅞	12¼-12⅜	—	—	—	—	—
One month	12 5/16-12 3/16	12¼-12⅜	12⅛	12½	12	11 13/16	11¾	11⅝	11¾	12 7/16
Two months	11 15/16-11 13/16	11 15/16-12 1/16	12	12⅛	11½	11 11/16	11 11/16	11⅝	11½	12¼
Three months	11 13/16-11 11/16	11¾-11⅞	11¾	12	11¼	11 11/16	11 11/16	11⅝	11¼	12
Six months	11¼-11⅛	11 5/16-11⅜	11½	—	—	—	—	10¾	10⅝	11⅜
Nine months	11 3/16-11 1/16	11⅜-11½	—	—	—	—	—	—	—	—
One year	11⅛-11	11¼-11⅜	11⅛	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	12⅝-12⅜	—	12¼	7.8-7.9	7 11/16-8 1/16	8¾-9
Two months	12¼-12	—	12	7.85-7.95	7 13/16-8 3/16	8¾-9
Three months	12¼-12	—	11⅞	7.95-8.05	7 13/16-8 3/16	8¾-9
Six months	12-11⅞	—	11⅝	8.10-8.20	8-8⅜	8¾-9
Nine months	11⅞-11⅝	—	11½	8.40-8.50	—	—
One year	11¼-11	—	11⅜	8.50-8.60	8 5/16-8 11/16	8⅞-9⅛
Two years	—	11⅛	—	—	—	—
Three years	—	11⅛	—	—	—	—
Four years	—	11⅛	—	—	—	—
Five years	—	11⅛	—	—	—	—

ECGD Fixed Finance IV: Average Rate of Interest period June 5 to July 2 (inclusive): 12.535 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses' Association): 13 per cent from July 1 1985. London and Scottish Clearing Bank Rate for lending 13 per cent. Bank Deposit Rates for sums at seven days' notice 6.25-6.625 per cent (net). Treasury Bills: Average tender rate of discount 11.1325 per cent. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 12 per cent; one-three months 11¾ per cent; three-six months 11½ per cent; six-nine months 11¼ per cent; nine-12 months 11⅛ per cent. Under £100,000 10¾ per cent from July 18. Deposits held under Series 5 11¾ per cent. The rate for all deposits withdrawn for cash 8 per cent.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	9½
Broker loan rate	8¾
Fed funds	7⅞

Treasury Bills

One month	6.85
Two month	7.15
Three month	7.27
Six month	7.37
One year	7.49

Treasury Bonds

Two year	99 7/32
Three year	101¾
Four year	99 11/32
Five year	99¾
Seven year	100¼
10 year	104 21/32
30 year	105 25/32

LIFFE OPTIONS REPORT

Sterling Currency—£25,000 c per £				Eurodollar Future—points of 100%			
Good volume registered as sterling again broke the $1.40 level				Moderate volume traded in steady to firm market conditions.			
Est volume		Previous day's open interest		Est volume		Previous day's open interest	
Calls	Puts	Calls	Puts	Calls	Puts	Calls	Puts
863	286	8177	4909	194	100	587	486

For full details of settlement prices call:
Louisa Powell of LIFFE on 01-623 0444
LIFFE, ROYAL EXCHANGE, LONDON EC3V 3PJ

Company Notices

LONDON SHARE SERVICE

BRITISH FUNDS

1985 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99⅞	97⅛	Treas 8¾pcCnv '85	99$\frac{11}{32}$	+$\frac{1}{32}$	8.79	12.43
101$\frac{11}{16}$	99$\frac{1}{16}$	Exch. 12¼pc 1985	100⅜	+$\frac{1}{16}$	12.23	11.46
101$\frac{1}{16}$	99$\frac{1}{16}$	Exch. 11¼pc '86	100¼xd	+$\frac{1}{16}$	11.72	11.33
99½	97$\frac{1}{16}$	Treas. 10pcCnv 1986	99$\frac{1}{16}$	+$\frac{1}{16}$	10.08	11.11
95¾	92¾	Treas 3pc 1986	95¼	...	3.15	9.11
100	97½	Exch. 10½pc Cv '86	99$\frac{3}{16}$	+$\frac{1}{16}$	10.55	10.98
101⅞	99⅝	Treas 12pc 1986	101	+⅛	11.88	10.72
98¼	94¼	Treas 8¾pc 1984-86‡‡	98$\frac{1}{16}$	+⅛	8.67	10.65
105$\frac{5}{16}$	102$\frac{1}{16}$	Exch. 14pc 1986	103⅝	+⅛	13.51	10.77
93$\frac{1}{16}$	87¾	Exch. 2½pc 1986	93¼	+$\frac{1}{16}$	2.68	7.93
104$\frac{3}{16}$	101⅛	Exch. 13¼pc 1987	103¼xd	+$\frac{1}{16}$	12.83	10.80
99½	96⅝	Treas 10½pcCv '87	99$\frac{3}{16}$xd	+$\frac{1}{16}$	10.32	10.73
91$\frac{11}{16}$	85⅝	Exch 2½pc 1987	91½xd	+$\frac{1}{16}$	2.73	8.33
99⅝	96⅝	Exch 10½pc 1987	99½	+⅛	10.55	10.78
93¾	89	Funding 6½pc '85-87‡‡	93¼	+$\frac{1}{16}$	6.93	10.42
98½	95½	Treas. 10pc 1987	98¼	+¼	10.13	10.72
90¼	84¼	Treas 3pc 1987	90⅛	−$\frac{1}{16}$	3.33	8.54
102½	99⅛	Treas. 12pc 1987	102$\frac{3}{16}$	+¼	11.74	10.83
94$\frac{3}{16}$	90¼	Treas 7¾pc 1985-88‡‡	94$\frac{3}{16}$xd	+$\frac{1}{16}$	8.23	10.43
99$\frac{3}{16}$	95⅛	Exch 10½pc '88	99¼	+¼	10.58	10.79
97$\frac{1}{16}$	93¼	Treas 9¾pc Cv '88	97$\frac{3}{16}$	+⅛	10.03	10.89
86¾	80	Transport 3pc '78-88	86¼	+$\frac{1}{16}$	3.48	8.37
96¼	91½	Treas. 9½pc '88	96	+$\frac{3}{16}$	9.90	10.96
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

1985 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
22⅞	16¼	Amer Medical Int $1	19⅞xd	−¼	60c	—	2.2
59¼	32	Amer. Nat. Res. $1	51¼xd	...	h$1.41	—	2.7
20⅝	15⅞	American T. & T. $1	15⅞	−⅛	$1.20	—	5.4
79½	64½	Ameritech $1	64½	−2¼	$6.00	—	6.7
25	16	Amfac‖	20	−⅛	$1.44	—	5.2
47p	27p	♦AridTech‖	27p	−3	—	—	—
18½	12⅛	Bankamerica $1	12⅛	−¼	$1.52	—	9.0
60½	47	Bankers N.Y. $10	49⅛xd	−1⅝	$2.70	—	3.9
12¼	671p	BASIX Corp.	671p	−49	12c	—	1.3
80⅛	65½	Bell Atlantic $1	65¼	−1⅞	$6.80	—	7.4
34⅛	28⅛	Bellsouth $1	29	−⅛	$2.60	—	6.5
19¼	11⅞	♦Beth Steel $8	13	−⅛	40c	—	2.2
24	16⅛	Bowater Inc.	16⅛xd	−⅛	72c	—	3.2
40½	31⅛	Brown'g-Fer. 16⅔c	38⅛	−1	$1.08	—	2.0
37⅛	26⅛	Brunswick Corpn.‖	27½xd	−⅛	$1.00	—	2.6
525p	274p	♦Business Computer	274p	−4	—	—	—
39⅞	30⅛	CPC Intnl. 25c	31¼xd	−½	$2.20	—	5.1
25	18⅛	CSX Corp U.S.$1.00	20	−¼	$1.04	—	3.7
19¼	13	CalFed Inc $1.00	16¼xd	−⅞	32c	—	1.4
65¼	51⅝	Campbell Soup 60c	55⅛	−1⅝	$5.00	—	6.5
31⅛	24⅝	Caterpillar Tractor‖	25⅞xd	−⅛	50c	—	1.4
902p	566p	Cenergy Corp. 25c	574p	−2	1c	—	0.1
52¼	40⅝	Chase M'hin $12.5	43xd	−1¼	$3.80	—	6.4
38¼	29⅛	Chemical New York	29½	−⅛	$2.48	—	6.2
34½	23⅛	Chesebrough-Pond's $1	23⅝	−½	$1.92	—	5.9
32½	24⅝	Chrysler $6¼	25⅝	−⅛	$1.00	—	2.9
42⅛	32⅞	Citicorp $4	34⅛	−½	$2.26	—	4.8
999p	788p	CityFed Fin. Corp.	936p	−63	040c	—	3.1
23½	19	Colgate-P. $1	19xd	−⅛	$1.28	—	4.9
57⅛	43⅝	Colt Inds. $1	43⅝	−1⅛	$2.50	—	4.1
155p	40p	Cont Illinois Hldgs $1	53p	...	—	—	—
238p	100p	♦Corporate Data Scnce.	128p	−1	—	—	—
36¼	28⅛	Crown Zell $5	28⅞xd	−1⅝	$1.00	—	2.5
44⅛	17⅛	Cullinet Sftwr $0.1	19⅛	...	—	—	—
506p	248p	Damson Oil 40c	265p	+4	—	—	—
29	18⅛	Dana Corp. $1	18¼	−⅛	$1.28	—	5.1
67	22⅛	Data General	28½	−¼	—	—	—
77p	25½	♦Derma-Lock Medical	25½p	−½	—	—	—
67	54⅛	Dun & Bradstreet $1	55⅛xd	−1½	$1.88	—	2.4
55½	38	Eaton Corpn. 50c	38	−⅝	$1.70	—	2.3
46½	36⅝	♦E'cron‖	36⅞	−1¼	$3.40	—	6.6
20⅛	12⅛	FPL Group $0.01	18⅛	−1⅛	h$1.89	—	7.3
974p	447p	Fin. Corpn Amer. 50c	495p	−27	h34c	—	4.9
23⅛	16⅛	First Chicago $5	17	−⅛	$1.32	—	5.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

هكذا أصله

INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
48	28	Mammet Hldgs 10p	37	....	—	—	—	—
328	202	Man. Ship Can. £1	308	....	5.5	3.5	2.6	16.0
104	75	Marley	76	....	3.75	2.2	7.0	9.2
107	52	Marling Ind. 10p	88	....	†d3.0	ϕ	2.1	ϕ
74	36	Marshall L'ry. 'A'	61	....	2.4	4.9	5.6	4.4
77	61	Marshall's Universal	61	....	2.0	1.4	4.7	(19.4)
86	78	Do 7½pcCnRedPf £1	82	....	7½%	—	13.1	—
22	22	Martin-Black	22xr		—	—	—	—
£97	£81	Mathesons 7¼%	£95	....	Q7¼%	2.3	18.5	—
35	26	Mangroit 1p	30	....	—	—	—	—
477	375	Metal Box £1	428	−7	17.25	3.1	5.8	6.4
170	134	Metal Closures	134	−1	6.7	2.0	7.1	8.4
17	9	Metal Sciences 2½p	10	+1	—	—	—	—
109	73	Midland Mars	88	....	4.0	ϕ	7.1	ϕ
103½	66½	Mitchell Cotts	66½	....	14.0	1.5	8.6	9.5
230	182	Morgan Crucible	194	−1	8.0	1.6	5.9	13.5
32½	22	Morris (W) F.A. 20p	29½	....	g0.5	ϕ	2.4	ϕ
110	91	Moss (Robt.) 10p	95	....	3.0	2.5	4.5	10.5
81	68	Mysno Grp 10p	72½	−½	g2.5	3.4	4.9	13.8
328	214	NMW Computers	245	....	b4.8	2.7	2.8	18.8
43	28	Nash Inds	30	....	†2.5	1.5	‡	6.9
48	19	Neil & Spencer 10p	19	....	ϕ	—	—	5.7
44	14½	Newman Inds 10p	38	−1	—	—	—	(15.8)
55	43	Norton	44	−4	†1.17	4.5	5.4	7.3
183	146	Norcros	172xd	....	8.6	2.2	7.1	8.6
67	50	Nu-Swift 5p	52	....	3.0	1.6	8.2	10.0
111	68	Oakwood Grp	90xd	....	†d4.5	1.4	7.1	(13.2)
230	150	Office & Elect	215	....	7.5	2.4	5.0	11.8
[illegible]								

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
210	177	Central T.V. N.V 50p	185	....	10.5	2.3	8.1	7.7
172	170	Chrysalis	171					
52	18	Entertain Prod 5p	18		b2.25	2.1	17.9	(3.2)
78	50	Fairline Boats 10p	67		†2.63	2.6	5.6	9.5
303	228	First Leisure £1	303	+3	†6.5	2.8	3.1	14.[illegible]
69	51	GRA Group 5p	56	−½	—	—	—	59.[illegible]
32	25	Grampian TVA 10p	25		h1.67	ϕ	9.5	ϕ
145	117	HTV Non/Vtg	137	....	b7.0	2.9	7.3	6.2
148	95	Horizon	95	−10	ϕ4.6	3.6	6.6	4.2
184	90	Insight	158	....	2.5	6.5	2.3	9.8
134	102	Intasun 10p	123	....	4.8	ϕ	5.7	ϕ
33	5	Intervsn Video 10p	6		—	—	—	—
232	173	Juliana's Hldgs 2p	178xr		2.0	1.8	1.4	29.[illegible]
268	217	LWT	260	+2	14.4	2.5	7.9	7.9
38	25	Leisure Inv 10p	28	....	—	—	—	—
65	55	Leisuretime Int 10p	56	....	†2.1	3.9	5.4	6.0
		For Mogul Ag M see Chrysalis						
183	155	Media Tech Int 20p	157	....	vg2.58	3.9	2.3	15.[illegible]
200	124	Medminster 10p	166	....	†4.85	2.6	4.2	11.[illegible]
280	175	Miss World 10p	185	−5	3.6	4.1	2.8	12.[illegible]
127½	73	Nationwide Leisure	73	....	d3.75	2.5	7.3	6.5
39	15	Norbrio Int 20c	20	....	—	—	—	—
24½	19½	Owners Abroad	20	....	1.0	2.2	7.1	8.9
53	38	Photax (Lon.)	45	....	—	—	—	—
24½	21½	P'dilly Radio NV 5p	22	....	1.87	1.1	11.9	10.5
90	30	Pleasurama Dec St 10p	40	....	d1.5	1.2	5.4	21.[illegible]
232	183	Pleasurama 5p	227	....	b4.6	3.7	2.9	13.[illegible]
119	109	Do. 7pcCvCnRedPf	118	....	—	—	—	—
[illegible]								

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
[illegible]							
350	122	Centennial Min'ls.	122	−5	—	—	—
120	70	Colby Res Corp.	72	−3	—	—	—
550	450	Cons. Murch. 10c	475xd		†Q100c	1.4	8.3
40	24	Ennex Int. Ir10p	24	−1	—	—	—
215	124	Hampton Areas 10p	124	−1	3.75	ϕ	4.1
260	135	Highwood Res.	140		—	—	—
£22½	£17½	Homestake Mining $1	£18¼	+⅛	Q20c	—	7.9
310	190	McFinley Red Lake	210	−5	—	—	—
300	195	Mustn Explorations	230	−10	—	—	—
55	23	New Sabina Res. C$1	45		—	—	—
375	245	Northgate C$1	280	+5	—	—	—
685	537	RTZ	537	−6	20.0	2.7	5.3
£145½	£116½	Do 9½pcLn '95-2000	£116½	−1½	Q9½%	14.0	(8.2)
£14⅛	£10	Tara Exptn $1	£10⅞	−⅛	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ■ "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✝ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ǁ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ✠ Not comparable.
- ϕ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend, cover on earnings updated by latest interim statement.
- ‖ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ✯ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ǁ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −	Stock	Price	+ or −
Albany Inv 20p	96	....	Arnott	180	....
Craig & Rose £1	700	....	CPI Hldgs	56	....
Finlay Pkg 5p	61	....	Carroll Inds.	137	.
Higsons Brew	225	....	Dublin Gas	70	....
Holt (Jos) 25p	725	....	Hall (R. & H.)	56	−1
IoM Stm. £1	85	....	Heiton Hldgs.	18	−1
IRISH			Irish Ropes	40	.
Fund 11¼% 1988	£101⅛	....	Jacob (W & R.)	80	....
Nat. 9¼% 84/89	£97¼xd	....	Unidare	87	....
Fin 13% 97/02	£109¼	.			

"Recent Issues" and "Rights" Page 27
(International Edition Page 32)

LONDON STOCK EXCHANGE

MARKET REPORT

Strong sterling stimulates Gilts but pushes equities to low point for year

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
July 15	July 25	July 26	Aug 5
July 29	Aug 8	Aug 9	Aug 19
Aug 12	Aug 29	Aug 30	Sept 9

* "New-time" dealings may take place from 9.30 am two business days earlier.

Currency fluctuations determined the trend in London stock markets yesterday. A good performance by sterling pushed Government securities ahead as overseas funds were attracted. Money market rates reversed their recent upturn but leading shares gained little comfort from speculation about another reduction in bank borrowing charges. International and other blue chip issues slipped back further to new 1985 low points, influenced by concern over the effects of the pound on export competitiveness and on foreign earnings.

The exchange rate's bounce back against the dollar — it touched $1.4210 before easing to $1.4110—led to sizeable support of Gilt-edged stocks. All maturities surged higher but the largest gains were recorded by longer-dated Gilts. Some rose almost a point before the advance lost momentum nearing the authorities' tap levels. The Government broker is expected to be a seller of both recently-created £200m tranches of Treasury 11½ per cent 2001-04 and Exchequer 9¾ per cent 1998 if bid slightly more than prevailing market levels.

Declining wholesale money rates directed considerable interets towards shorter maturities. Turnover expanded and currently popular trading stocks went half a point higher before drifting away from the day's best prices. Index - linked issues, which often suffer when conventional stocks perform well, also found favour and improved ½ in places.

Awaiting news from the OPEC meeting in Geneva and Thursday's half-yearly results from market leader ICI, equity investors were further distracted by the events in the bond market. The upshot was a slow trade with values tending to ease on only routine small sales. Although most South African-based stocks settled after Monday's upset, Standard Chartered weakened further. Illustrating the day's overall trading pattern, the FT Ordinary share index was less than a point down at 10 am but slipped to stand 6.8 lower at 2.30 pm before rallying to end 4.2 down on balance at a new closing low for the year of 921.1.

Standard down again

Standard Chartered fell 15 more for a two-day decline of 37 at 458p on continuing concern about its South African interests in the light of the situation there. **Barclays** were similarly affected and gave up 6 more at 377p. Other clearers drifted lower for want of support. **Midland** closed down at 378p and **Lloyds** a few pence off at 392p. **NatWest**, which is due to commence the interim dividend season next Wednesday, softened a couple of pence to 678p. **Hambros** rallied 10 to 145p among merchant banks, but **J. Rothschild**, at 96p, gave back 4 of the recent speculative improvement; **Hanson Trust** confirmed yesterday that it had acquired a small stake in the group purely as an investment.

The market debut of **Chrysalis** was in very low key. With nearly 95 per cent of the issue left with the underwriters, the shares fluctuated narrowly some 30p below the offer price of 200p prior to closing at 171p.

News that Guinness had been given the go-ahead to proceed with its offer for **Arthur Bell** without reference to the Monopolies Commission took the latter up to 255p before a close of 10 higher on balance at 245p; Guinness finished 6 down at 244p on thoughts that it would have to increase its offer to stand a chance of success. The Trade Secretary's decision not to refer the Guinness bid for Bell fuelled hopes that the current Monopolies Commission inquiry will leave Scottish and Newcastle free to launch another offer for **Matthew Brown**; MB gained 15 to 385p but S & N closed unchanged at 142p, after 140½p. Elsewhere, **Allied-Lyons** gave up 4 to 220p while **Whitbread** hardened a couple of pence to 21p. **Forshaw Burtonwood Brewery** shed 5 to 435p following the rights issue proposal. **Distillers** settled 4 off at a year's low of 274p.

The general level of trade in the Building sector was low, but a few Contracting and Construction issues met with revived support following reports that the Government's attitude towards infrastructure spending was softening. **Taylor Woodrow** moved up 10 to 455p and **George Wimpey** firmed 3 to 131p, while **John Laing** rose 4 to 254p and **John Mowlem** gained 6 to 252p. Elsewhere, **Manders**, up 4 more at 185p, continued to reflect the agreed acquisition of Prudential Corporation's leasehold interests in the Mander Centre, Wolverhampton, but Mr Jim Raper's **Milbury** came under further nervous selling pressure in the absence of any clarification of reports concerning possible cash flow problems and followed Monday's decline of 24 with a fresh fall of 8 to 42p.

ICI slipped to a year's low of 678p prior to settling only a penny cheaper on balance at 686p.

Stores gave another lacklustre performance and closed with small mixed changes. **Habitat Mothercare** attracted occasional buying interest and edged up 4 to 390p, but **Marks and Spencer** lost the turn at 142p. The disclosure that House of Fraser had increased its strategic stake in **Debenhams** to 11.43 per cent made no apparent impact on the latter which held at 313p, but **Burton**, currently bidding for Debenhams, ended 2 off at 446p.

Alfred Preedy gave up 4 to 106p despite increased annual profits, but **Rowland Gaunt** put on 5 to 49p in reply to encouraging interim figures.

Case dull

CASE dropped to a 1985 low of 180p before closing 15 down on balance at 187p owing to a chart "sell" recommendation. **Ferranti** succumbed to renewed selling in the wake of a broker's downgraded profits forecast and lost 6 more to 116p, while **International Signal and Control** eased 5 to 255p ahead of today's annual meeting. The recent profits warning continued to overshadow **Microvitec**, another 2 lower at 38p, but **AB Electronic** firmed 10 further to 270p on satisfaction with Acorn Computer's refinancing package. **Bowthorpe** moved up 10 to 344p and **Rotaflex** rose 5 at 145p.

High-flier **TI**, at 319p, succumbed to profit-taking and lost 7 of the strong rise which greeted last week's announcement that Evered had acquired an 11.6 per cent stake in the company: **Evered**, however, jumped 17 more to 242p. Elsewhere in Engineerings, **Brasway** put on 4 to 60p as buyers showed interest ahead of today's preliminary statement. **H. C. Slingsby** moved up 8 more for a two-day jump of 18 to 173p on further consideration of week-end Press reports of a bid approach worth 220p per share.

Foods drifted easier in the absence of buying interest. **Cadbury Schweppes** slipped to a year's low of 144p prior to closing a penny off at 145p, while **United Biscuits** lost 4 to 164p and **Associated British Foods** 2 to 210p.

Beecham better

Beecham displayed resilience, rising 8 to 323p in belated response to weekend comment on its "eminase" drug prospects; the annual general meeting is today. Other miscellaneous industrial leaders drifted lower with **Metal Box** closing 7 lower at 428p on concern about its South African interests. **Reed International** lost 12 at 628p following the annual meeting. Elsewhere, profit-taking in the absence of the rumoured bid left **Bowater** 4 easier at 276p, while **British Aerospace** fell 10 further to 303p still reflecting concern about the future of the European fighter aircraft project, in which it has a 25 per cent interest. Currency influences depressed **Scapa**, which dropped 20 to 378p, and **Reuters "B"**, 7 lower at 278p; the latter's interim results are scheduled for August 5. **Cookson** remained a friendless market at 268p, down 12, while **Nolton** gave up 4 at 44p as did **Parkfield**, at 90p. **Johnson Matthey**, however, jumped 8 to 101p in reply to a Rowe and Pitman "buy" recommendation and **AAH** gained 5 to 139p, after 142p, following better-than-expected annual profits. News of its military systems division's ECM equipment contract buoyed **Vinten**, which advanced 15 to 147p.

Travel concern **Horizon** dropped 10 to 95p following an adverse Press view on current trading prospects; major shareholder **Bass** fell 12 to 540p in sympathy. Elsewhere in the Leisure sector, **A & M Hire** gained a penny to 16p awaiting today's annual results, but **Riley Leisure** shed 4 to a year's low of 35p after comment on the company's current loss-making subsidiary, Leisure Industries.

Jaguar initially fell to 248p on profit-taking, but subsequently rallied well on American buying to close a penny dearer on balance at 254p.

Among Paper and Printings, **Richard Clay**, currently in receipt of an unwelcome offer from **McCorquodale**, shed 6 to 138p; the latter retreated 13 to 140p. Takeover favourite **DRG** lost 5 to 172p, but USM-quoted **Morgan Communications** gained that amount, to 135p.

Milford Docks were outstanding among Shippings, rising 5 to 87p, after 88p, on revived takeover speculation.

Following the annual meeting, **Courtaulds** drifted back to 127p prior to closing a net 3 off at 128p.

Scottish Northern Investment Trust rose 3 to 142p on news of the bid from **Throgmorton Trust**, a few pence easier at 225p.

Shell easier

Business in the oil sector remained at a low level and prices retreated from the outset reflecting lack of interest. Reports late in the day that OPEC ministers were on the verge of agreement regarding crude oil price differentials produced a minor rally in the leaders, but they still closed with widespread falls. **Shell**, additionally unsettled by the rise in sterling against the dollar, dropped 17 to 668p, while **BP** settled a net 5 off at 508p, after 505p. **Britoil** dipped to 198p, despite a report suggesting a major gas discovery off the north west coast of Shetland Island, before ending the day only 2 easier at 201p. The Shetland gas discovery report prompted early support for **Sovereign Oil**, which improved to 144p prior to closing only 3 harder on balance at 138p. **Falcon Resources** continued to hold the limelight in secondary oils and rallied sharply to close 7 better at 55p, after 58p, following the reassuring statement from the chairman. **Cluff Oil** also staged a recovery, adding 5 at 35p.

Thomas Borthwick edged up 2 to 28p following news that the company has been granted permission by the Japanese Livestock Industry Promotions Corporation to export beef to Japan.

Golds steadier

South African sectors of mining markets were much steadier after the heavy losses sustained on Monday. Worries over the state of emergency imposed in many areas of South Africa tended to fade as bullion improved following the renewed weakness in the dollar. Consequently, dealers marked gold shares higher at the outset and prices continued to gain ground during the morning in the wake of sustained support from the Continent, most notably from Switzerland, and South Africa. However, after midday confidence in the sector was again eroded and most issues tended to ease back from their best levels. Another factor affecting sentiment was the latest rise in the pound which again restrained rises in sterling terms.

Bullion touched $322.75 at the morning fixing but later eased to close a net $3.75 firmer at $322 an ounce.

The best performances in the leading heavyweights came from **Randfontein**, which rallied £1 to £72¾, **Southvaal**, a similar amount to the good at £29½.

De Beers were a firm market in South African Financials and put on 10 to 395p. Platinums provided firm features in **Rustenburg**, 16 up at 640p, and **Impala** 14 firmer at 720p.

The latest downturn in domestic equities led to renewed pressure on London-domiciled Financials. **Consolidated Gold Fields** followed Monday's 23 fall with a further 9 decline at 483p, while **Rio Tinto-Zinc** dipped 5 more to a year's low of 537p.

Australian Golds continued to make good progress on the view that the civil unrest in South Africa will encourage much greater support for politically acceptable "down-under" issues. **Central Norseman** jumped 15 more to 438p—a two-day gain of 37—**Gold Mines of Kalgoorlie** improved a further 10 to 487p and **Poseidon** rose 5 to 188p. **Australian Consolidated Minerals** added 5 at 80p reflecting the go-ahead of the company's Westonia gold mining project.

Business in Traded Options improved with 8,792 deals done, comprising 6,111 calls and 2,681 puts. **Imps** attracted a good trade on Ho-Jo sales hopes and 1,227 calls were struck—950 in the August 180's. **Commercial Union** were also active ahead of next month's interim figures, recording 1,000 calls; over half of these were transacted in the July 200's.

FINANCIAL TIMES STOCK INDICES

	July 23	July 22	July 19	July 18	July 17	July 16	year ago
Government Secs.	83.28	82.96	83.08	83.39	83.56	83.18	76.09
Fixed Interest	88.26	88.14	88.15	88.26	88.00	87.66	80.66
Ordinary ♥	921.6	925.3	935.4	932.8	933.6	928.7	763.6
Gold Mines	386.7	385.2	404.9	407.2	410.8	399.0	488.2
Ord. Div. Yield	5.03	5.01	4.97	4.99	4.98	5.00	5.29
Earnings, Yld.% (full)	12.56	12.51	12.40	12.45	12.45	12.47	12.21
P/E Ratio (net) (*)	9.73	9.76	9.85	9.81	9.81	9.79	9.83
Total bargains (Est.)	19,500	19,358	19,850	19,753	19,600	19,980	17,220
Equity turnover £m.	—	262.96	300.67	414.0	468.8	371.4	187.21
Equity bargains	—	14,791	14,932	16,505	15,732	15,141	13,172
Shares traded (ml)	—	129.5	169.5	205.6	209.6	173.1	115.5

♥ 10 am 924.4. 11 am 923.0. Noon 920.7. 1 pm 930.1. 2 pm 918.7. 3 pm 919.3. 4 pm 920.9.

Day's High 924.6. Day's Low 918.5.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil=9.40.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.56 (17/7)	76.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	88.26 (18/7)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.5 (22/1)	921.1 (23/7)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	536.9 (15/4)	385.2 (22/7)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	July 22	July 19
Daily		
Gilt Edged Bargains	165.8	134.7
Equities Bargains	95.5	96.7
Value	511.3	607.7
5 day Average		
Gilt Edged Bargains	166.0	169.4
Equities Bargains	99.8	102.0
Value	730.8	739.0

NEW HIGHS AND LOWS FOR 1985

33 NEW HIGHS AND LOWS

BRITISH FUNDS (10)
Treas. 8¼pc Cnv. '85; Exch. 11pc 1989; Fndng. 6½pc 85-87; Treas. 10pc Cnv. '90; Treas. 3 pc 1989; Treas. 15½pc '98; Treas. 10½pc 1989; Exch. 12¼pc 1999; Exch 10pc 1989; Treas. 14pc '98-01

INTL. BANK AND OVERSEAS GOVT. STERLING ISSUES (1)
Mexico 16½pc 2008

CORPORATION LOANS (2)
Herts. 6¾pc '85-87; LCC 5½pc 1985-87

LOANS (1)
Agric. Mort. 5pc 1959-89

BANKS (1)
Bank of Ireland

BUILDINGS (1)
Roberts Adlard

STORES (2)
Grattan; Ratners

ENGINEERING (2)
Robinson (Thos.); Wheway Watson

INDUSTRIALS (6)
Abbey; Photo-Me; Johnson Matthey; Reed Executive; Ozalid 9pcCnv.87-92; Williams Hldgs.

LEISURE (1)
First Leisure

PROPERTY (1)
Evans of Leeds

TRUSTS (1)
Scottish Northern

NEW LOWS (113)
AMERICANS (14); CANADIANS (1); BANKS (2); BREWERS (1); BUILDINGS (2); CHEMICALS (3); STORES (1); ELECTRICALS (12); ENGINEERING (8); FOODS (3); HOTELS (1); INDUSTRIALS (19); INSURANCE (1); LEISURE (3); MOTORS (1); NEWSPAPERS (1); PAPER (4); PROPERTY (3); SOUTH AFRICANS (1); TEXTILES (2); TRUSTS (11); OILS (9); PLANTATIONS (1); MINES (9)

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	105	1	2
Corpns Dom & Foreign Bonds	18	8	52
Industrials	140	384	945
Financial & Props	54	119	383
Oils	14	43	71
Plantations	1	2	15
Mines	66	44	68
Others	18	142	81
Totals	416	743	1,618

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Bass	540	−12
Bell (Arthur)	245	+10
BP	508	− 5
British Telecom	183	− 2
Brown (Matthew)	385	+15
CASE	187	−15
Courtaulds	128	− 3
Falcon Resources	55	+ 7
Jaguar	254	+ 1
Milford Docks	87	+ 5
Royal Insurance	685	− 5
TI	319	− 7

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Tue July 23 1985 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1985 to date	Mon July 22 Index No.	Fri July 19 Index No.	Thur July 18 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (205)	489.14	−0.4	11.57	4.60	10.88	8.47	491.20	497.85	499.09	453.25
2	Building Materials (22)	527.67	—	12.57	5.02	9.78	9.87	527.66	533.71	539.54	409.74
3	Contracting, Construction (29)	806.65	+0.6	12.42	5.12	10.39	16.69	802.08	811.06	815.51	605.35
4	Electricals (14)	1311.68	−0.9	12.04	5.60	10.55	31.82	1323.25	1337.27	1335.09	1404.80
5	Electronics (38)	1310.57	−0.5	11.59	3.70	11.42	16.06	1316.88	1349.51	1345.85	1613.55
6	Mechanical Engineering (62)	265.51	−0.9	12.38	5.27	9.79	5.36	268.03	269.85	270.27	231.01
8	Metals and Metal Forming (7)	181.59	+0.8	13.66	8.56	9.19	4.13	180.08	182.16	183.70	169.43
9	Motors (16)	150.64	−0.7	14.32	5.56	8.67	3.20	151.73	151.86	150.59	113.34
10	Other Industrial Materials (17)	863.66	−0.6	8.12	3.87	14.92	14.56	868.96	876.81	882.91	594.89
21	CONSUMER GROUP (177)	632.24	−0.6	10.14	4.13	12.25	10.41	636.25	639.91	636.45	465.51
22	Brewers and Distillers (24)	608.14	−0.9	11.55	4.70	10.94	8.61	613.50	615.34	611.53	490.08
25	Food Manufacturing (21)	471.98	−0.6	12.52	5.16	10.12	11.86	474.74	475.32	474.59	365.81
26	Food Retailing (14)	1495.62	−0.6	6.03	2.79	21.92	12.87	1504.06	1509.01	1505.87	1078.35
27	Health and Household Products (9)	995.14	−0.6	6.75	2.97	17.37	11.23	1000.87	1004.97	989.50	764.31
29	Leisure (22)	592.80	−0.3	9.75	5.54	13.47	13.45	594.80	597.90	601.69	525.64
32	Newspapers, Publishing (12)	1708.03	−1.2	9.01	4.52	14.29	37.18	1728.49	1728.79	1731.24	1176.56
33	Packaging and Paper (13)	325.07	−1.5	10.89	4.58	10.89	6.10	330.12	326.88	327.17	211.47
34	Stores (42)	634.16	−0.2	8.02	3.40	16.88	9.30	635.19	644.82	640.75	392.36
35	Textiles (17)	305.06	−0.8	15.59	5.26	7.28	7.25	307.60	309.71	310.81	244.40
36	Tobaccos (3)	774.48	−1.3	18.78	5.55	6.00	17.44	784.75	788.94	782.00	600.00
41	OTHER GROUPS (101)	654.17	−0.5	9.91	4.30	12.80	11.15	657.48	661.21	662.05	412.01
42	Chemicals (19)	674.34	+0.1	15.25	5.48	8.10	15.59	673.43	682.78	683.16	550.99
44	Office Equipment (4)	187.66	+0.2	8.52	4.69	14.01	3.58	187.24	188.08	191.12	124.36
45	Shipping and Transport (12)	1099.76	−0.1	8.99	4.78	13.81	25.43	1100.91	1115.66	1117.55	801.28
46	Miscellaneous (64)	796.94	−0.3	7.99	4.00	15.27	10.79	799.20	803.10	804.90	565.68
48	Telephone Networks (2)	840.20	−1.0	8.90	3.86	15.01	13.20	849.02	850.23	850.23	0.0
49	INDUSTRIAL GROUP (483)	607.11	−0.5	10.42	4.29	12.02	10.23	610.43	615.08	614.06	458.41
51	Oils (17)	1089.98	−1.5	17.17	7.70	7.16	38.38	1106.47	1106.79	1106.53	966.29
59	500 SHARE INDEX (500)	647.66	−0.7	11.31	4.74	11.03	12.49	652.03	656.36	655.39	500.98
61	FINANCIAL GROUP (115)	461.31	−0.8	—	5.15	—	10.03	464.94	468.90	466.17	361.88
62	Banks (6)	473.51	−0.9	16.33	6.14	8.74	11.71	477.82	489.99	485.42	344.02
63	Insurance (Life) (9)	720.43	−1.1	—	4.51	—	14.71	[illegible]	[illegible]	[illegible]	[illegible]
64	Insurance (Composite) (7)	360.72	−1.0	—	5.41	—	8.53	[illegible]	[illegible]	[illegible]	[illegible]
65	Insurance (Brokers) (7)	1018.14	−1.2	9.22	4.67	14.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67	Merchant Banks (11)	229.59	+0.7	—	4.80	—	4.92	227.93	228.79	227.66	184.10
68	Property (50)	599.34	−0.1	4.25	3.94	21.47	9.28	600.01	600.15	595.86	549.65
69	Other Financial (25)	263.34	−0.2	9.41	4.61	12.99	7.35	[illegible]	[illegible]	[illegible]	[illegible]
71	Investment Trusts (107)	564.84	−0.1	—	3.87	—	9.28	565.42	566.47	566.40	458.47
81	Mining Finance (3)	255.61	−1.4	12.70	5.90	9.14	5.29	259.33	[illegible]	[illegible]	[illegible]
91	Overseas Traders (14)	609.64	−0.2	12.41	6.48	9.68	[illegible]	612.81	[illegible]	[illegible]	[illegible]
99	ALL-SHARE INDEX (739)	595.12	−0.7	—	4.80	—	11.70	599.12	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High	Day's Low	July 22	July 19	July 18	July 17	July 16	Year ago
FT-SE 100 SHARE INDEX	1233.1	−6.0	1237.6	1229.1	1239.1	1252.5	1248.6	1247.3	[illegible]	[illegible]

FIXED INTEREST

	PRICE INDICES	Tue July 23	Day's change %	Mon July 22	xd adj. today	xd adj. 1985 to date
	British Government					
1	5 years	118.60	+0.24	118.32	—	6.71
2	5-15 years	132.21	+0.55	131.48	—	8.51
3	Over 15 years	139.27	+0.63	138.39	—	6.87
4	Irredeemables	150.55	+0.58	149.69	—	7.22
5	All stocks	130.24	+0.46	129.64	—	7.50
6	Debentures & Loans	112.50	+0.41	112.05	—	6.08
7	Preference	79.97	−0.49	80.36	—	3.64
	BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8	All stocks	109.59	+0.14	109.44	—	1.95

AVERAGE GROSS REDEMPTION YIELDS (Tue July 23; Mon July 22; Year ago (approx.)): [illegible]

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C $300	20	26	—	—	—	—	$322.75
[illegible]							

TOTAL VOLUME IN CONTRACTS: 26,344

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price p	+or−
[illegible]							
280	Nil	—	48pm	45pm	Extel	46pm	.....
185	100	26/10	123	99	Hanson Trust	102	−1
210	F.P.	4/9	410	390	Hazlewood Foods 20p	396	.....
260	F.P.	6/8	295	268	London United 20p	278	.....
285	F.P.	9/8	320	297½	Mills & Allen	320	+5
77	Nil	28/8	¾pm	½pm	New Cavendish 5p	½pm	.....
120	Nil	30/8	8pm	3pm	Prestwich	4pm	+1
180	F.P.	—	197½	177	Sunlight Service 10p	177	.....
600	F.P.	20/8	700	643	Union Discount £1	680	.....
A$1.25	Nil	—	5pm	3pm	♥Woodside Pet. A$0.50	3pm	.....

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters or fully paid. ‖‖ Introduction. ✱ Unlisted Securities Market. § Placing price. ♥ Dealt in under Rule 535 (4) (a).

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
July 8	July 19	Oct 10	Oct 21
July 22	Aug 2	Oct 24	Nov 4
Aug 5	Aug 16	Nov 7	Nov 18

For rate indications see end of Share Information Service

Call options were taken out in Premier Cons, Brunswick Oil, Bowter, Falcon Resources, Petronol, STC, Hanson Trust, North Kalgurlie, Pentland Industries, Southwest Resources, Anglo United Developments and Boots. No puts or doubles were arranged.

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
TI	18	326	+22
Barclays	16	383	−19
ICI	16	687	− 7
Falcon Res.	15	48	− 4
Bowater Inds.	14	280	+21
Cons. Gold Flds	14	492	−23
Brit. Telecom	12	185	—
Debenhams	12	313	—
NatWest Bank	12	680	−10
Babcock Intl.	11	127	− 1
Beecham	11	315	+ 2
Britoil	11	203	—
Burmah Oil	11	282	—
Minet Hldgs.	11	197	+10

LONDON TRADED OPTIONS

Option		Calls Jly.	Calls Oct.	Calls Jan.	Puts Jly.	Puts Oct.	Puts Jan.
B.P. (*506)	460	50	63	—	0½	8	—
	500	10	30	43	2	23	28
	550	0½	12	23	45	55	62
	600	0¼	6	16	96	100	103
Cons. Gold	460	32	50	—	1½	[illegible]	[illegible]
[illegible]							

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Lonrho (*165)	140	27	—	—	1½	—	—
	160	7	14	19	5	6½	8½
	180	1	6	10	18	21	23
P. & O. (*358)	330	35	45	65	3	8	12
[illegible]							

July 23 Total Contracts 8,792. Calls 6,111. Puts 2,681

* Underlying security price

هكذا من الأصل

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FRANCE · GERMANY · NORWAY · SPAIN · SWEDEN · SWITZERLAND · ITALY · NETHERLANDS · AUSTRALIA · HONG KONG · JAPAN · SINGAPORE · SOUTH AFRICA

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
Prices at 2.30pm
July 23

Total Sales 9,466,453 shares

MONTREAL
Closing prices July 22

Total Sales 1,847 784 shares

Indices

NEW YORK-DOW JONES

	July 23	July 22	July 19	July 18	July 17	July 16	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	1,363.81*	1,357.84	1,359 54	1,350.92	1,357.97	1,347.89	1359.54 (19/7)	1184.96 (4/1)	1359.54 (19/7/85)	41.22 (2/7/32)
Transport	704.47*	701.90	700.73	696.04	702.60	700.14	702.6 (17/7)	553.03 (4/1)	702.60 (17/7/85)	12.32 (8/7/32)
Utilities	160.55*	164.65	166.24	167.86	168.34	168.24	168.91 (12/7)	146.54 (4/1)	168.91 (12/7/85)	10.5 (28/4/42)
Trading vol		94.6m	114.8m	131.3m	159.9m	132.5m	–	–	–	–

	July 19	July 12	July 5	Year Ago (Approx)
Ind Div Yield %	4.51	4.58	4.58	5.14

STANDARD AND POORS

	July 23	July 19	July 18	July 17	July 16	High	1985 Low	1985 High	Since Compilation Low	
Industrials	216.12*	215.21	215.83	214.47	215.52	214.15	215.83 (19/7)	128.24 (4/1)	215.83 (19/7/85)	3.62 (30/6/32)
Composite	194.58*	194.36	195.13	194.39	195.65	194.72	195.65 (16/7)	163.68 (4/1)	195.65 (16/7/85)	4.40 (1/6/32)

	July 10	July 3	June 26	Year Ago (Approx)
Ind div yield %	3.69	3.70	3.72	4.32
Ind. P/E Ratio	11.99	11.96	11.90	10.66
Long Gov Bond Yield	10.20	10.44	10.67	13.31

N.Y.S.E. ALL COMMON

July 23	July 22	July 19	July 18	1985 High	1985 Low
112.76*	112.71	113.26	112.81	113.49 (17/7)	94.60 (4/1)

RISES AND FALLS

	July 22	July 19	July 18
Issues traded	2,023	2,010	2,025
Rises	532	1,086	586
Falls	1,051	540	993
Unchanged	440	404	436

New York Active Stocks

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
Phillips Pet	2,887,800	12⅝	+ ⅛	Massey-Fer	1,298,300	2⅛	unch
IBM	1,582,000	130¾	+ ⅜	Reyn Ind	1,274,800	27¾	– 1⅛
ATT	1,606,500	21⅞	– ⅝	Phibro-Sal	1,257,600	44¼	– ⅛
Am Express	1,393,800	46	– ⅜	Motorola	1,164,800	36⅝	unch
Intl Harv	1,318,800	9⅛	+ ¼	Ford Motor	1,153,200	43½	+ ¼

Advances 641 Declines 884

TORONTO

	July 23	July 22	July 19	July 18	1985 High	1985 Low
Metals & Minls	2,047.5*	2,014.1	2,026.1	2,010.4	2190.7 (13/2)	1896.0 (4/1)
Composite	2,803.3*	2,787.4	2,804.1	2,802.2	2804.2 (17/7)	2348.5 (8/1)
MONTREAL Portfolio	138.91*	138.74	139.33	138.80	139.33 (19/7)	117.00 (4/1)

* Indicates pre-close figure

World indices

	July 23	July 22	July 19	July 18	1985 High	1985 Low
AUSTRALIA						
All Ord. (1/1/80)	933.6	926 5	920 2	922 3	933.6 (23/7)	715 3 (7/1)
Metals & Mins. (1/1/80)	546.1	536.4	525 8	527 3	583 8 (20/5)	382 5 (7/1)
AUSTRIA						
Credit Aktien (2/1/62)	100 01	98.93	99 25	97.73	105 73 (17/6)	85 21 (24/1)
BELGIUM						
Brussels SE (1/1/80)	2313 61	closed	2311.42	2302 81	2313 (23/7)	2090.7 (18/1)
DENMARK						
Copenhagen SE (3/1/83)	211.35	209 77	209 76	210 57	211 59 (11/7)	158 44 (8/1)
FRANCE						
CAC General (31/12/82)	217.9	n/a	217 9	219.3	233.1 (31/5)	180 9 (3/1)
Ind Tendance (28/12/84)	124 70	125.0	124 8	125 70	130 4 (31/5)	100 1 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	477.87	481.44	480.57	478 41	502 82 (5/7)	382 39 (3/1)
Commerzbank (1/12/53)	1405.8	1416.3	1412.1	1399 8	1488 2 (5/7)	1111 8 (3/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1673.85	1689.85	1687.87	1672 04	1689.85 (22/7)	1220 74 (2/1)
ITALY						
Banca Comm. Ital. (1972)	359.03	358.75	356.38	n/a	359 03 (23/7)	228 56 (2/1)
JAPAN**						
Nikkei-Dow (16/5/49)	12762.83	12771 68	12788.54	12852.54	13040 10 (6/7)	11545 2 (5/1)
Tokyo SE New (4/1/68)	1042.10	1042.40	1042.05	1048.60	1055.91 (8/7)	916.93 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	218.1	219.2	218.2	218.1	220.9 (8/7)	185 6 (3/1)
ANP-CBS Indust (1970)	185.9	186 8	186 2	185 8	188.8 (22/7)	147.9 (3/1)
NORWAY						
Oslo SE (4/1/83)	345.80	348.53	340.03	337 81	348 53 (22/7)	288.18 (2/1)
SINGAPORE						
Straits Times (1966)	778.89	768.23	755.87	738.26	852.65 (7/3)	717.85 (15/7)
SOUTH AFRICA						
JSE Gold (28/9/78)	–	914.1	987.3	878.9	1140.8 (15/4)	838 1 (11/2)
JSE Indust (28/9/78)	–	1006.7	1028.4	1034.8	1036 8 (17/7)	787.1 (7/3)
SPAIN						
Madrid SE (28/12/84)	109.34	109.48	109.88	109.89	117.41 (4/2)	101 48 (2/1)
SWEDEN						
Jacobson & P (1/1/58)	1351.99	1347.15	1330.7	1325.30	1486.98 (11/2)	1285.32 (8/7)
SWITZERLAND						
Swiss Bank Cpn. (31/12/58)	481.8	480.7	458.7	457.2	489.1 (8/7)	386.7 (3/1)
WORLD						
Capital Intl. (1/1/70)	–	221.9	223.2	223 4	224.3 (17/7)	184.6 (4/1)

* Indicates pre-close figure ** Saturday July 20 Japan Nikkei Dow 12797.68 TSE 1042.05 Base values of all indices are 100 except Australia All Ordinary and Metals – 500 NYSE All Common – 50 Standard and Poors – 10† and Toronto Composite and Metals – 1000 Toronto indices based 1975 and Montreal Portfolio 4/1/83 † Excluding bonds ‡ 400 industrials § 400 industrials plus 40 Utilities Financials and 20 Transports c Closed u. Unavailable

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 35

LONDON Chief price changes (in pence unless otherwise indicated)

RISES			FALLS		
Exch 10% 1989	£97⅛	+7/16	BAe	303	–10
Conv 9½% 2004	£96⅛	+⅞	BP	508	– 5
AAH	139	+ 5	CASE	187	–15
ACM	80	+ 5	Courtaulds	128	– 3
Beecham	323	+ 8	Ferranti	116	– 6
Bell (A)	245	+10	Flight Refuel	248	– 9
Brown (Matt)	385	+15	Horizon Travel	95	–10
Evered	242	+17	Lucas Ind	288	– 5
Falcon Res	55	+ 7	Metal Box	428	– 7
Gaunt (Row)	49	+ 5	Milbury	42	– 8
Hambros	145	+10	Reuters B	278	– 7
Johnson Matt	101	+ 8	Scapa	378	–20
Slingsby (HC)	173	+ 8	Shell Tran	668	–17
Taylor Wood	455	+10	Standard Chart	458	–15
Vinten	147	+15	TI	319	– 7

Prices at 3pm, July 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16	AAR	.48	2.2	17	49	22¼	21¾	22¼	+¼
17⅜	9⅝	AGS			14	90	17	16⅝	17	+⅛
16½	8⅝	AMCA				21	12⅜	12⅜	12⅜	+⅛
21½	13	AMF	.50	3.7	41	325	13⅝	13⅜	13½	−⅛
13⅝	12⅞	AMF wd				61	13½	13⅜	13⅜	−⅛
50¾	24¼	AMR			8	2394	49⅞	48¾	49½	+¾
22⅞	18⅝	AMR pf2.18		9.6		31	22¾	22½	22¾	+¼
14¼	7⅝	APL				6	9¼	9⅛	9¼	+¼
61⅛	44⅜	ASA	2	4.0		386	51	49½	49½	−1
27	12½	AVX	.32	2.2	11	116	14¼	13⅝	14¼	+⅝
28⅛	16	AZP	2.72	11.	8	1191	25⅜	25¼	25⅞	−½
60	36¾	AbtLab 1.40		2.3	17	496	59¾	59½	59⅝	
25⅞	19	AccoWd .50		2.2	17	52	22½	22⅛	22⅜	−¼
24¾	12½	AcmeC .40		2.4		305	16¾	16⅝	16¾	+⅛
10½	7⅜	AcmeE .32b		4.1	10	21	7⅞	7¾	7⅞	+⅛
19	15	AdaEx 1.92e		10		145	18⅞	18⅝	18⅞	−⅛
20	11⅞	AdmMl .32		1.8	7	25	17⅝	17½	17⅝	+⅛
19½	8⅝	AdvSys .53t		4.4	19	77	12⅛	11⅞	12	−⅛
41⅛	22⅛	AMD			18	6380	30¾	29½	30¾	+2⅛
12¾	8⅞	Advest .12		1.2	23	204	10⅛	9⅞	10⅛	+¼
15⅞	9	Aerflex			14	134	15¼	15	15	−⅛
49⅝	27¼	AetnLf 2.64		5.6	34	1018	47⅝	47¼	47¼	−⅜
57⅜	52⅜	AetL pf5.79e		10		46	55⅞	55¾	55¾	
37⅜	18¼	Ahmns 1.20		3.8	13	2369	31½	31	31½	+⅞
3⅜	2½	Aileen				1	2¾	2¾	2¾	
56¼	39⅛	AirPrd 1.20		2.1	13	764	u56⅜	55⅞	56¼	+⅝
24⅜	13	AirbFrt .60		2.8	12	315	21¼	21	21¼	+¼
2⅛	1	AlMoa s				49	2	1⅞	2	+⅛
28¾	23⅝	AlaP pf2.92e		10.		1	u29¼	29¼	29¼	+¾
33⅜	27¼	AlaP pfA3.92		13		16	31¼	31⅛	31¼	+⅛
8⅛	6¼	AlaP dpf.87		11.		30	8⅛	8	8⅛	
75	57	AlaP pf 8.28		12.		z300	71	71	71	−1
[illegible]										

Continued on Page 35

NYSE COMPOSITE PRICES

Continued from Page 34

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
36⅝	27¼	Robshw1.12		3.3	8	20	33⅞	33½	33¾	+¼
44½	26	Robtsn 1.60		5.2	18	24	30¾	30⅛	30¾	+½
24⅝	12	Robins				361	19⅛	18⅞	18⅞	−⅛
24⅞	14	RochG	2.20	9.9	6	1366	24¼	21¾	22⅛	−1⅞
42⅛	27⅝	RochTl2.44		6.3	10	38	39¾	38⅞	38⅞	−⅜
41	27½	Rockwl1.12		2.7	10	1501	u41⅛	40⅝	40¾	−⅛
137	99	Rkint pf1.35		.9		1	u147	147	147	+12
71½	48⅛	RohmH2.20		3.2	12	158	70	69	69	
60¾	34⅝	Rohrln			11	247	u61¼	60¼	60⅞	+⅞
26½	12½	RoinCm.40		1.5	32	9	26¼	26	26¼	+¼
32¾	6⅝	RolinE s.07e		.2	31	299	u33½	32⅝	32⅞	+½
12⅝	6⅞	Rollins	.46	3.9	18	218	11⅞	11½	11⅞	+⅜
4½	2	Ronson				56	2¼	2⅛	2⅛	−⅛
19	12⅞	Roper	.64	4.3	17	13	14⅞	14⅞	14⅞	+⅛
37⅝	24	Rorer	1.12	3.1	17	844	36⅛	35¼	35⅞	+¾
13	7⅝	Rowan	.12	1.3	53	874	9¼	9	9	
61⅝	41¼	RoylD 3.07e		5.1		1267	60¾	60⅛	60⅛	−⅜
17	9	Roylnt s			17	22	13⅞	13¾	13⅞	−⅛
54½	35⅛	Rubrmd.96		1.7	19	136	u55¾	54½	55¼	+1
26	14¾	RussBr			13	1498	21	20⅝	20⅝	−¼
20	15⅝	RusTog .76		3.9	10	15	19½	19¼	19½	−⅛
31¼	19	RyanH	1	3.3	12	311	30¾	30¼	30⅝	
30⅝	19⅝	Ryder s	.60	2.0	11	1325	u30⅞	30	30½	+¼
28½	12⅞	Ryland	.66	2.3	18	160	u29	28½	28⅞	+⅜
20⅛	8½	Rymer			5	32	18½	18⅛	18⅛	−⅛
13⅝	11½	Rymer pf1.17		9.2		5	12¾	12¾	12¾	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, July 23

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

[illegible]

Continued on Page 33

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET
Upturn on economic optimism

SIGNS that the U.S. economy is on the upward path again brought the buyers back into Wall Street yesterday, *writes Terry Byland in New York.*

The increase of 1.8 per cent in durable goods orders in June, coupled with a small gain in consumer prices, raised hopes that the second half of 1985 will see the economy back on full power, and inflation still under control.

Early falls in blue chips were smartly reversed as the stock market gained ground in heavy trading. Renewed buying of IBM and other technology leaders boosted market indices.

By 3pm, however, the Dow Jones industrial average was down 3.36 at 1,354.28.

Turnover was active but gains in the leaders were trimmed at mid-session and the broader market was slow to join the advance.

The Dow transportation average soared to a new peak as airline issues responded to the split at the Opec ministers meeting. Only utility stocks turned downwards, on fears that a rejuvenated economy may mean higher interest rates.

Industrial stocks were held back in the first hour by further weakness in the bond market, where the latest federal economic data found a less confident response. Credit market analysts rate the chances of an easing in Federal Reserve credit policies – significantly reduced in the light of Mr Paul Volcker's report to Congress – even lower, if the economy rebounds.

With the technology industry now regarded as the spearhead of economic growth, the turnround in the market was spotlighted by the big names in the computer industry.

IBM reversed an initial fall to gain a net $1⅜ to $131½ in hefty turnover. Hard on the heels of Big Blue, Honeywell jumped $2¼ to $67, Burroughs $1½ to $63⅞, and Digital Equipment $1⅝ to $104⅞.

Domestic airline carriers to catch the attention of the buyers included American $⅝ up at $49⅞, Delta, $¼ up at $51⅝ and United $⅝ up at $56⅞ despite a large second-quarter loss. Pan American, however, stayed on the sidelines, shedding $⅛ to $7⅛.

Boeing jumped $1½ to $49¼ on the order for 10 737 aircraft by KLM, the Dutch national airline. McDonnell Douglas added $⅝ to $86⅝, while other defence issues to advance included Lockheed, $⅞ up at $55⅛.

Results from the oil industry again left the sector unimpressed. Exxon, the leader of the world industry, eased $⅛ to $51⅞ on disappointing results. Phillips Petroleum, at $12½, was $¼ up on their figures. Atlantic Richfield held unchanged at $58⅛, also after results.

Union Carbide jumped $1⅞ to $51⅜ in heavy trading after Merrill Lynch had upgraded the stock, which has fallen heavily since the Bhopal tragedy.

A gain of $⅝ to $124⅞ in Celanese followed news of a modest gain in profits. Reconsideration of the second-quarter results lifted Monsanto by $2⅛ to $55⅛. Du Pont, $¾ up at $60¾ also stood out in a firm chemical sector.

Other industrial issues affected by earnings reports included Prime Computer, $½ up at $19⅞, Gould $⅝ better at $25⅝, and Ingersoll-Rand, $⅝ higher at $53.

Motor stocks lagged behind the market with investors taking a cautious view of Toyota's decision to build a plant in the U.S.

Borg-Warner rallied $¾ to $22¼ after the board forecast a better performance in the second half.

Phibro-Salomon, the Wall Street trading firm, traded heavily after disclosing increased quarterly profits, and the stock added $1⅛ to $45½. Also active in financial stocks was American Express $⅛ up at $46½ after lacklustre earnings.

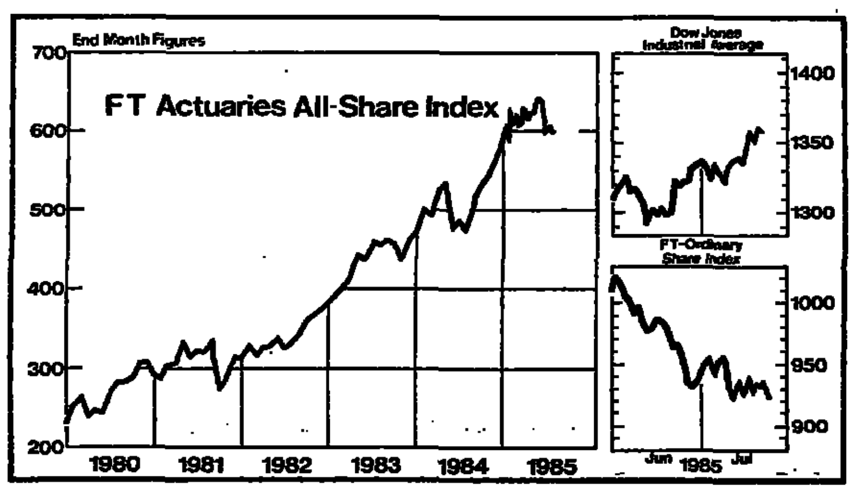
However, Chubb plunged $1⅛ to $70¾ in response to its second-quarter statement.

A batch of trading results from the consumer sector brought no fireworks. McDonald's, the hamburger franchiser, remained steady at $68⅞, while PepsiCo fresh from its media battle with New Coke, added $⅝ to $59⅞, both on results.

But department stores looked unimpressed by lower quarterly earnings at Sears Roebuck, down $⅜ at $37¼. Dart & Kraft, the Tupperware to processed cheese group, eased $⅛ to $37¼ after reporting increased earnings.

In the credit markets, the effects of the federal economic data were balanced by a dip in federal funds to 7 13/16 per cent. But short-term rates did very little while awaiting news from the auction of two-year Treasury securities. Bonds steadied from their early falls but saw only moderate trading interest.

KEY MARKET MONITORS



STOCK MARKET INDICES

	July 23	Previous	Year ago
NEW YORK			
DJ Industrials	1,354.28*	1,357.64	1,096.62
DJ Transport	699.32*	701.90	447.33
DJ Utilities	158.49*	164.65	124.28
S&P Composite	192.68*	194.35	148.95
LONDON			
FT Ord	921.1	925.3	763.5
FT-SE 100	1,233.1	1,241.1	986.9
FT-A All-share	595.12	599.12	464.84
FT-A 500	647.66	652.03	500.98
FT Gold mines	386.7	385.2	488.2
FT-A Long gilt	10.16	10.24	11.40
TOKYO			
Nikkei-Dow	12,762.83	12,771.66	9,703.3
Tokyo SE	1,042.10	1,042.40	750.09
AUSTRALIA			
All Ord.	933.6	926.5	675.9
Metals & Mins.	546.1	536.4	408.0
AUSTRIA			
Credit Aktien	100.01	99.93	53.51
BELGIUM			
Belgian SE	2,313.61	2,311.42	—
CANADA			
Toronto			
Metals & Minls	2,047.6*	2,014.1	1,662.0
Composite	2,803.3*	2,797.4	2,090.2
Montreal			
Portfolio	138.91*	138.74	100.95
DENMARK			
SE	211.35	209.77	186.21
FRANCE			
CAC Gen	217.9	218.6	159.3
Ind. Tendance	124.70	125.00	84.79
WEST GERMANY			
FAZ-Aktien	477.87	481.44	320.40
Commerzbank	1,405.8	1,416.3	922.0
HONG KONG			
Hang Seng	1,673.85	1,689.85	747.02
ITALY			
Banca Comm.	359.03	358.75	208.16
NETHERLANDS			
ANP-CBS Gen	218.1	219.2	147.0
ANP-CBS Ind	185.9	186.8	119.9
NORWAY			
Oslo SE	345.80	346.53	249.14
SINGAPORE			
Straits Times	778.69	769.23	873.86
SOUTH AFRICA	July 23	Prev	Yr ago
JSE Golds	–	914.1	819.7
JSE Industrials	–	1,006.7	849.4
SPAIN			
Madrid SE	109.34	109.48	91.11
SWEDEN			
J & P	1,351.99	1,347.15	1,465.40
SWITZERLAND			
Swiss Bank Ind	461.8	460.7	357.9
WORLD	July 22	Prev	Year ago
Capital Int'l	221.9	223.2	167.4

GOLD (per ounce)

	July 23	Prev
London	$322.00	$318.25
Zürich	$321.60	$317.45
Paris (fixing)	$323.05	$318.18
Luxembourg	$323.00	$317.30
New York (Aug)	$318.30	$322.30

* Latest available figure

CURRENCIES

	U.S. DOLLAR		STERLING	
(London)	July 23	Previous	July 23	Previous
$	–	–	1.411	1.389
DM	2.8505	2.898	4.03	4.025
Yen	237.9	240.05	336.0	335.5
FFr	8.66	8.7975	12.21	12.2075
SwFr	2.3405	2.3785	3.3	3.3
Guilder	3.2045	3.2555	4.5275	4.52
Lira	1,905.5	1,944.5	2,695.0	2,700.0
BFr	57.25	58.1	80.85	81.65
C$	1.3455	1.4	1.9055	1.8757

INTEREST RATES

	July 23	Prev
Euro-currencies (3-month offered rate)		
£	12	12
SwFr	5¼	5¼
DM	5 7/16	5 7/16
FFr	10 9/16	10 9/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	8¼	8¼
6-month U.S.$	8⅜	8⅜
U.S. Fed Funds	7¾*	8
U.S. 3-month CDs	7.90*	7.80
U.S. 3-month T-bills	7.24*	7.26

U.S BONDS

Treasury	July 23* Price	July 23* Yield	Prev Price	Prev Yield
8½ 1987	99 25/32	8.919	99 25/32	8.90
10⅜ 1992	100 9/32	10.311	100 10/32	10.31
11¼ 1995	104 24/32	10.459	104 27/32	10.44
11¼ 2015	105 29/32	10.595	105 23/32	10.60
Corporate	July 23*		Prev	
AT & T	Price	Yield	Price	Yield
10⅜ June 1990	101	10.10	101	10.10
3⅞ July 1990	81	8.70	81	8.70
8⅜ May 2000	83¾	11.00	83¾	11.00
Xerox				
10⅞ March 1993	97.10	11.20	97.10	11.20
Diamond Shamrock				
10⅜ May 1993	96.785	11.25	98.785	11.25
Federated Dept Stores				
10⅞ May 2013	83¾	11.00	83¾	11.00
Abbot Lab				
11.80 Feb 2013	101¼	11.65	101¼	11.65
Alcoa				
12¼ Dec 2012	100.75	12.15	100.75	12.15

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	75–28	76–02	75–19	75–27
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	92.72	92.74	92.60	92.74
Certificates of Deposit (IMM) $1m points of 100%				
Sept	92.04	92.08	91.97	92.04
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	91.70	91.81	91.65	91.69
20-year Notional Gilt £50,000 32nds of 100%				
Sept	112–25	113–04	112–17	112–04

COMMODITIES

(London)	July 23	Prev
Silver (spot fixing)	434.75p	439.40p
Copper (cash)	£1,058.00	£1,076.50
Coffee (Sept)	£1,467.50	£1,591.50
Oil (spot Arabian light)	$27.05	$27.05

LONDON
Currencies dictate the pace

CURRENCY fluctuations determined the trend in London yesterday. A good performance by sterling pushed Government securities ahead as overseas funds were attracted.

Money market rates reversed their recent upturn but leading shares gained little comfort from speculation about another reduction in bank borrowing charges.

The FT Ordinary share index stood 6.8 lower at 3.30pm, but rallied to end 4.2 down at a new closing low for the year of 921.1.

Longer-dated gilts advanced by almost a point at one stage and index-linked issues improved by about ¼.

Chief price changes, Page 33; Details, Page 32; Share information service, Pages 30–31

SOUTH AFRICA

A PARTIAL recovery was staged in Johannesburg yesterday as gold shares recouped some of Monday's sharp losses.

Reserve Bank governor Mr Gerhard de Kock said the selling of gold and industrial issues following the state of emergency declaration had been relatively small, and said the main factor in the market remained the gold bullion price.

Randfontein added R4 to R192 after falling R13 on Monday and Buffels rose R1 to R64.

INDIA

IN AN effort to reduce speculative buying, the Bombay Stock Exchange has decided to impose a 40 per cent margin on the buying of all 48 shares traded.

A decision has also been made, effective immediately, to cut trading to one hour a day from three.

Corporate tax incentives introduced in the last budget and India's liberal economic policies in general have boosted share prices across the country recently. The Economic Times index at 555.7 yesterday was up 229.5 from its March level when the budget was presented.

EUROPE
Frankfurt exposed to rate impact

A WIDE range of factors such as currency rates, oil prices and company results combined to produce a diversity of performances on the European bourses yesterday.

A nervous **Frankfurt** was fully exposed to the impact of the volatile dollar/D-Mark exchange rate. Shares that benefited from the heady overseas buying earlier this year due to the strength of the dollar are now undergoing a major reappraisal and the Commerzbank index retreated a further 10.5 points to 1,405.8.

The export-oriented stocks suffered the most. Porsche dipped DM 15 after the previous session's DM 8 gain, to close at DM 1,320. The quality sports car group is now back firmly in the middle of its trading range for the year while most of the other West German car makers are hovering at or near the higher end of their ranges. Daimler also encountered some profit-taking and eased DM 8 to DM 842.50 ex-dividend.

Dollar-related fears were also evident in the chemicals sector as Degussa, which managed to resist the downturn in the previous session, dipped DM 4 to DM 367 while Schering retreated DM 3.50 to DM 478.

Banks were also easier with Commerzbank the latest to report profits figures. Its strong first-half results had already been discounted by the market and the group slipped from its 1985 peak with a DM 3.50 fall to DM 223.50 while Dresdner lost DM 2.70 to DM 280.

One of the few bright spots of the session was the excellent performance of the iron and steel sector with Thyssen finding late support to close DM 1.70 higher at DM 116.70 and Klöckner managed a more rewarding DM 4.20 to DM 63. Hoesch recouped half of Monday's loss with a 10 pfg gain to DM 110.90.

Horten was the sole source of strength in weaker stores as it held unchanged at DM 184.

Bond prices moved within a 10 basis point range although most investors seemed more preoccupied with imminent summer holidays.

The Bundesbank sold DM 4.50m in paper against Monday's sales of DM 38.6m.

Brussels, closed on Monday, returned with strong gains in chemical and oil stocks although the continuing political uncertainty diluted some of the bullish sentiment.

Institutional buying bolstered Solvay BFr 105 to BFr 4,465 and in turn overflowed into other chemical issues with UCB firming BFr 10 to BFr 4,980.

Petrofina traded BFr 50 higher to BFr 5,610 in thin volume but against a backdrop of the Opec prices meeting in Geneva.

Travel and tourism stock Wagons Lits suffered a BFr 70 decline to BFr 3,050.

Oils proved to be a weak spot in **Paris** as position adjustments induced quiet trading.

Elf Aquitaine plumbed new depths for the year with a FFr 2.30 drop to FFr 187.50 while Total slipped FFr 3 to FFr 207, also a new low for the year.

The recent cut in bank base rates proved to be a relatively small boon to sentiment.

Foreign investors, attracted by the firmness of the Swiss franc, dominated a thin **Zurich** session. Sandoz snatched the prize for the best gain of the day although its SwFr 350 jump to SwFr 8,859 is set against a SwFr 200 drop on Monday.

Banks continued to offer some appeal to domestic and overseas buyers as the reporting season picked up steam. Union Bank, which announced healthy figures on Monday, gained SwFr 25 to SwFr 4,350, just below its 1985 high, while Swiss Volksbank, which released higher interims yesterday, held steady at SwFr 1,795.

Elsewhere, demand accumulated in transport and select industrials. Swissair moved to another high for the year with a SwFr 2 gain to SwFr 1,397.

Bond prices were quietly steady.

Internationals encountered some serious selling in an otherwise lacklustre **Amsterdam**. Royal Dutch, caught in the crossfire of the dollar's retreat and the Opec manoeuvres, dropped Fl 3.60 to Fl 194 while Philips slipped 10 cents to Fl 48.70. Unilever resisted the pace and finished 50 cents up at Fl 347.

Strong West German support for Hoogovens took the steel group Fl 3.20 higher to Fl 65.80.

Slow trading in the bond market was attributed to pre-holiday lethargy.

Strong overseas buying buoyed **Stockholm** with Aga picking up SKr 3 to SKr 115 and SKF holding steady at its 1985 peak of SKr 230.

Net foreign, buying of Swedish shares in the first half of the year amounted to SKr 2.58bn and was largely concentrated on Electrolux, Volvo and Ericsson.

Profit-taking was evident in a quietly mixed **Milan** while **Madrid** declined slightly.

SINGAPORE
Speculatives contribute to higher trend

PERSISTENT buying took shares higher in Singapore in the seventh consecutive session of gains. The Straits Times index rose 9.46 to 778.69 and turnover rose to 27.4m from 20.9m on Monday.

Speculative and low-priced issues attracted most attention, but a wave of profit-taking during the last half-hour of trading brought some stocks down from their highs of the day.

Hopes remain high for cuts in corporate, personal and property taxes early next month.

In banks, both Malayan Banking and OCBC gained 10 cents to S$5.85 and S$8.65 respectively, while UOB was steady at S$3.86 and OUB drifted 1 cent lower to S$2.85.

Elsewhere, Hong Leong Finance added 8 cents to S$2.44, Cold Storage 2 cents to S$2.48 and Genting 5 cents to S$5.95.

In speculative issues, United Motors rose 13 cents to S$1.06 on a volume of 3.2m shares and Pahang Investments gained 3.5 cents to 64.5 cents with 2.6m shares exchanged.

AUSTRALIA

FOREIGN institutional buying interest contributed to record highs in Sydney. Gold and metal stocks attracted investors who have pulled their funds out of South African miners.

The All Ordinaries index added 7.3 to a new peak of 933.6, while the All Industrials rose to a record 1,358.5, up 8.9.

CRA was ahead 10 cents at A$6.18, Western Mining 16 cents at A$4.24 and Aberfoyle 15 cents at A$11.25.

In golds, Central Norseman added 30 cents to A$8.60, Kidston 25 cents to A$4.65 and Renison 20 cents to A$5.10.

CANADA

ACTIVE trading in Toronto enabled stocks to continue higher, sustaining the late spurt seen on Monday.

Provigo was most active, rising C$½ to C$25½. Other actives included Alcan Aluminium, up C$¾ at C$36¼, Seagram C$⅝ higher at C$58¾ and Falconbridge C$½ ahead at C$21¼.

Against the trend, Hiram Walker drifted C$⅛ lower to C$33¼, Dome Petroleum 5 cents off at C$2.75 and Royex Gold 1 cent down at C$2.54.

TOKYO
Pronounced shift to sidelines

INCREASINGLY concerned over higher prices, investors retreated to the sidelines in Tokyo yesterday to send share prices slightly lower, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average fell 8.83 to 12,762.83. Volume increased to 482m shares from 383m the previous day. Declines outnumbered advances by 467 to 318, with 147 issues unchanged.

The market lost steam because of investor caution against high price levels for issues related to the Government's investments and loans programme which have led market activity since the beginning of this month. Kumagai Gumi and other popular issues have risen by about 30 per cent in two weeks.

Sumitomo Heavy Industries topped the most active list with 26.49m shares traded. The issue gained Y10 at one stage, but closed at Y267, unchanged from the previous day.

Mitsubishi Metal, the second most active with 21.33m shares traded, scored a daily allowable gain of Y100 to Y886 at one stage, but came under profit-taking pressure later to close at Y675, up Y89. Buying interest was fuelled by reports that its wholly owned subsidiary had found a gold vein in Yamagata prefecture, north-eastern Japan.

All Nippon Airways, also active, gained Y40 to Y736. But electric railways were generally cheaper, with Tokyu Corporation losing Y4 to Y541, Tobu Railway Y8 to Y390 and Keisei Electric Railway Y22 to Y443.

Issues related to the Government's fiscal investments and loans programme were mixed. Tekken Construction attracted persistent buying interest, rising Y29 to Y435. Kumagai Gumi advanced Y22 to Y835. But Taisei Corporation dipped Y3 to Y315.

Hitachi shed Y24 to Y685 on heavy selling, triggered by reports that the company would curb semiconductor exports to the U.S. substantially in the current fiscal year. Fujitsu and NEC lost Y25 and Y6 to Y875 and Y929, respectively. Nippon Kogaku declined Y39 to Y954.

Biotechnology-related issues were sold, with Green Cross dropping Y100 to Y2,170, Daiichi Seiyaku Y70 to Y2,160 and Yamanouchi Pharmaceutical Y60 to Y2,860.

Tokio Marine and Fire added Y10 to Y1,030. The four leading securities companies were steady on forecasts of record recurring profits for the business year ending in September. Nomura gained Y10 to Y1,310.

Bond prices moved little, despite the yen's firmness. The yield on 6.8 per cent government bonds maturing in December 1994, fell to 6.280 per cent from the previous day's 6.290 per cent.

HONG KONG

PROFIT-TAKING set in as the Hong Kong market reacted to two weeks of fairly steady gains. Shares drifted lower and banks came under most pressure after recent interest rate cuts.

The Hang Seng index, which was close to a four-year high on Monday, lost 16 to end at 1673.85.

Bank of East Asia shed 60 cents to HK$22, Hang Seng Bank lost 50 cents to HK$45.50 and Hongkong Bank was 5 cents lower at HK$7.55.

Hutchison Whampoa, which has announced its intention to buy a 50 per cent stake in Ready Mixed Concrete, moved 50 cents lower to HK$27.10, while Jardine Matheson gained 30 cents to HK$12.50.